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Revenue Properties Company Limited

2000 Annual Report

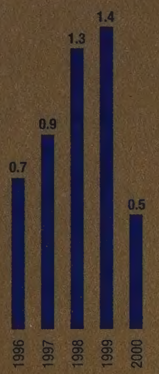
Financial Highlights

(in thousands of Canadian dollars, except per share amounts)	2000[1]	1999[1]	1998	1997	1996
Total assets	$ 526,782	$ 1,380,349	$ 1,336,185	$ 931,785	$ 689,055
Rental properties	132,671	1,290,875	1,240,302	852,348	530,187
Long-term debt, including					
convertible debentures	334,363	840,707	756,225	517,698	497,253
Shareholders' equity	158,706	158,919	180,710	145,614	166,618
Income (loss) from continuing operations					
before income taxes	15,694	5,626	3,009	(20,204)	1,549
Per common share	0.18	0.01	0.01	(0.34)	0.02
Per common share:					
Net income (loss)	0.07	0.00	0.00	(0.35)	0.05
Cash flow[2]	0.44	0.36	0.27	0.19	0.19
Dividend	0.12	0.11	0.09	0.08	0.07

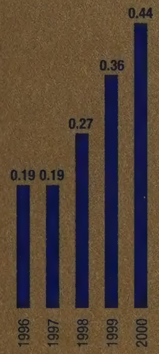
(1) The financial highlights for the years 2000 and 1999 reflect the provisions of Section 3465. See note 2(j).

(2) Cash flow per common share includes the Company's economic interest in PNP as discussed on page 5 of this report.

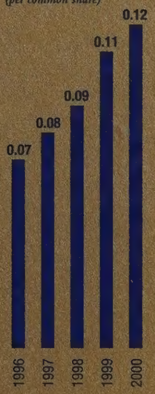
Total Assets
(billions of dollars)



Cash Flow
(per common share)



Dividend
(per common share)



Continued operating success with a sharper focus: that is Revenue Properties Company Limited in 2001.

As a result of significant share ownership changes in early 2001, we will be concentrating on Canadian real estate operations, reducing our ownership position in Pan Pacific Retail Properties, Inc. and selling our Nevada gaming interests.

At the end of 2000, the Company was subject to an unsolicited takeover bid that ultimately resulted in Acktion Corporation increasing its common share ownership to 40%. The process concluded relatively quickly and the impact on the Company's operations has been minimal. The costs associated with this process have been provided for in 2000.

In conjunction with the conclusion of the takeover bid process, Acktion Corporation and Mark M. Tanz entered into a shareholders' agreement covering, among other things, the direction and strategy of the Corporation, including the sale of non-core assets.

The Company's financial results for 2000 were good. Cash flow per common share (basic) was $0.44, a 22% increase over 1999.

Our Canadian rental income on a same property basis increased 7.5% to $21 million primarily due to our residential properties' rental income being 30% greater in 2000 than in the previous year. An ongoing residential refurbishment program helped to generate a 4.6% improvement in average rental rates and to increase residential occupancy by 3% to 99%.

Retail property remerchandising initiatives, which started in 1999, continue to bear fruit by way of improved tenant profiles and higher average net rental rates.

We continue to monetize our investment in Guelph, Ontario through lot sales.

Subsequent to year-end, we sold 2,800,000 common shares of Pan Pacific to hold 8,008,012 common shares or 25.77% of the outstanding common stock. All sales proceeds were applied to the

reduction of U.S. dollar dominated short-term debt. The PNP merger with Western Property Trust, which was completed in November 2000, resulted in an accounting gain of $5.6 million. We now record this investment using the equity method.

The Company, along with our Nevada partner, has put our gaming business up for sale. As a result, our investment in P.T. Gaming LLC has been reported as discontinued operations in the financial statements of the Company. We have made a $5.4 million provision against this investment, reflecting management's view of the current market value of our interest in P.T. Gaming LLC.

The Company intends to maintain its present course of focusing on Canadian real estate, improving real estate operating results and paying down debt. In March 2001, as part of this strategy, we initiated Normal Course Issuer Bids to purchase for cancellation convertible subordinate debentures issued by the Company under other existing Toronto Stock Exchange rules and regulations. We are also investigating the refinancing of some of our existing fixed rate debt, which matures in 2002.

I would like to make special mention of three directors who retired in January 2001 after an aggregate of 32 years of outstanding service to the Corporation: Patrick Lavelle, Ted McDowell and Ted Sherman. We would also like to thank our hard-working employees who have contributed to our ongoing success.

With our strong asset base, satisfactory operating results and our proven track record of building cash flow per share, we look forward to another good year.

PAUL D. CAMPBELL
President and Chief Executive Officer

OVERVIEW

Revenue Properties Company Limited (the "Company" or "RPC") has adopted a new business strategy for 2001 which provides for the disposition of its position in Pan Pacific Retail Properties, Inc. ("Pan Pacific" or "PNP") and its investment in gaming, in one or more transactions in a manner which maximizes value for shareholders. The primary use of funds generated will be to reduce debt levels.

PNP owns and manages neighbourhood retail shopping centres in the western United States, and the Company has held a 51% interest since the initial public offering in 1997. That percentage was reduced to 33% in November 2000, when PNP acquired Western Property Trust ("Western"), and issued 10.8 million shares to Western shareholders. As a result of the merger, PNP became the largest publicly held west coast neighbourhood shopping centre real estate investment trust with a total market capitalization of U.S. $1.3 billion and a portfolio of 111 properties.

In line with its strategy, in January 2001, the Company sold 2.8 million shares of PNP reducing its ownership percentage to 26% (24% fully diluted). The cash proceeds from the sale were used to pay down debt.

RPC's gaming investment, in P.T. Gaming LLC ("P.T.'s"), has been put up for sale and the investment has been reported as discontinued operations in the financial statements. The results of 1999 have been restated accordingly.

ACCOUNTING CHANGES

Effective January 1, 2000, the Canadian Institute of Chartered Accountants ("CICA") changed the accounting standard relating to the accounting for income taxes.

The Company adopted the new standard effective January 1, 2000 and applied the provisions of the standard retroactively with prior periods being restated. A full description of the changes is set out in note 2(j) to the financial statements.

The accounting implications of PNP's Western acquisition resulted in RPC recording its investment using the equity method from November 13, 2000. The PNP results had been consolidated up to that date.

MARKET FACTORS

While the North American economies experienced strong growth during most of 2000, the economies ended the year slowing sharply. Economists expect gross domestic product to contract during the first quarter and the Federal Reserve Bank and the Bank of Canada have cut interest rates in order that the weakness be short-lived. In Canada, tax cuts will further help to shore up domestic demand. The slow down, if brief, should not have a substantial impact on consumer spending, especially for basic necessities. Accordingly, neither the Company nor Pan Pacific expects a major impact from a slow down on its retail and residential properties.

Retail and residential markets are experiencing high occupancies with little speculative construction under way. Tight planning controls, and the absence of site availability, provide both companies with the prospect for further rental income growth.

The Toronto Stock Exchange ("TSE") Real Estate Index returned 15% in 2000, outperforming the TSE 300 return of 7% for the first time since 1996 and 1997. Analysts believe that real estate stocks will outperform the overall market in 2001.

RESULTS OF OPERATIONS

(000s)	RPC	PNP	2000 Total	RPC	PNP	1999 Total
Gross revenues	$ 63,437	$ 147,926	$ 211,363	$ 85,826	$ 170,687	$ 256,513
Gross profit	21,378	114,671	136,049	16,325	114,527	130,852
Operating profit (loss)	(19,037)	58,081	39,044	(22,741)	58,494	35,753
Income from continuing operations before income taxes	(15,286)	30,980	15,694	(22,741)	28,367	5,626
Non-recurring items	(2,615)	1,603	(1,012)	—	—	—
	(17,901)	32,583	14,682	(22,741)	28,367	5,626
Cash flow from continuing operations	$ (12,331)	$ 40,852	$ 28,521	$ (11,010)	$ 36,342	$ 25,332
Per share						
– Basic			$ 0.44			$ 0.36
– Diluted			$ 0.36			$ 0.32

The Company's primary indicator of financial performance remains cash flow from operations (CFFO). In 2000, cash flow per share has been calculated including the Company's economic interest in Pan Pacific's cash flow for the entire year and the contribution from gaming. We also added back two non-recurring adjustments: the costs of responding to Acktion Corporation's takeover bid of $1.9 million and the Company's proportionate share of acquisition costs expensed by Pan Pacific of $1.6 million. The calculations are consistent with previous years; however, the computation may differ from the methodology for calculating CFFO utilized by other real estate companies and, therefore, may not be comparable to such other real estate companies. CFFO is not indicative of funds available to fund the Company's cash needs.

CFFO, as adjusted, was $28.5 million, a 13% increase from the year earlier. For the three months ended December 31, 2000, CFFO was $6.7 million, an increase of 3% from the comparable period in 1999.

On a per share basis, basic cash flow for the year was 44 cents as compared with 36 cents in 1999, a 22% increase. Fully diluted cash flow was 36 cents (32 cents in 1999). For the fourth quarter, basic cash flow was 11 cents (fully diluted 9 cents) as compared with 9 cents (fully diluted 8 cents).

The growth in cash flow per share was primarily due to Pan Pacific's continued growth and to a 6.3% reduction in the number of shares outstanding reflecting purchases under the Company's Normal Course Issuer Bid. Cash flow in the fourth quarter was negatively impacted by a provision of $1.1 million for employee severances and retirement benefits.

Income from continuing operations before income taxes was $15.7 million, including a number of non-recurring items. Pan Pacific's issuance of shares to acquire Western Property Trust in November 2000 resulted in a non-cash book gain of $5.6 million. The Company's accrual of $1.1 million for employee changes reduced the gain. After these non-recurring events, continuing income before income taxes was $14.7 million as compared to $5.6 million in 1999.

Interest expense increased 5.6% to $67.3 million with $1.0 million of the increase related to higher interest rates on RPC's U.S. dollar variable rate debt. The balance of the increase was related to PNP debt.

RENTAL OPERATIONS

(000s)	RPC	PNP	2000 Total	RPC	PNP	1999 Total
Gross rental revenue	$ 57,038	$ 147,926	$ 204,964	$ 57,476	$ 151,498	$ 208,974
Property operating expenses	35,975	33,255	69,230	36,803	35,585	72,388
Gross profit – Canada	21,063		21,063	20,673		20,673
Same property comparison	21,063			19,595		
Gross profit – U.S.						
For the period Jan. 1 to Nov. 12, 2000		114,671	114,671			
For the period Nov. 13 to Dec. 31, 2000		27,536				
(Total PNP)		142,207			115,913	115,913
Gross profit %	37%	77%	66%	36%	77%	65%
Re-leasing costs incurred	$ 1,559	$ 4,198	$ 5,757	$ 1,047	$ 2,579	$ 3,626

Canadian gross profit on a same property comparison increased 7.5% to $21 million from the previous year. The retail component increased 3% while residential properties contributed a 30% increase. The low gross profit of 37% resulted from expensing of refurbishments to the residential properties and rent payable on the leasehold properties.

Retail income benefited from remerchandizing initiatives started in 1999 and completed during the year. The full impact of the changes will be reflected in the 2001 results. The occupancy rate at year-end was 97%, unchanged from 1999.

Residential units generated an average monthly rent of $893 in December 2000, which was 4.6% higher than in 1999. The occupancy rate increased to 99% from 96%.

Pan Pacific's rental income in the consolidated statements is for the period up to November 12, 2000 being the day prior to the completion of the merger with Western. After the merger, the Company's ownership percentage of Pan Pacific decreased to 33%. As a result, the Company has adopted equity accounting in accordance with generally accepted accounting principles because it no longer controls PNP.

REAL ESTATE SALES

(000s)	RPC	PNP	2000 Total	RPC	PNP	1999 Total
Sales – Land	$ 6,399	—	$ 6,399	$ 9,257	$ —	$ 9,257
– Housing				7,843	—	7,843
– Property				11,250	19,189	30,439
Cost of sales	6,084	—	6,084	32,698	20,575	53,273
Profit (loss)	$ 315	—	$ 315	$ (4,348)	$ (1,386)	$ (5,734)
Canada	$ 315		$ 315	$ (4,416)		$ (4,416)
U.S.				$ 68	$ (1,386)	$ (1,318)

The Company continues to monetize its investment in its land development project in Guelph, Ontario. Planning for the next phase is in process with the objective to service lots in the spring of 2001, for delivery to builders later in the year.

In 1999, sales included Guelph lots and the last units in a California housing project. Property sales included the Company's interest in a residential property together with three Pan Pacific non-strategic properties.

Gaming

(000s)	2000	1999
Revenues		
Gaming	$ 10,458	$ 6,761
Beverage	8,666	6,752
Food & other	2,596	1,138
	21,720	14,651
Operating expenses		
P.T.'s	18,947	11,890
RPC's	976	589
	19,923	12,479
Gross profit	1,797	2,172
Less: interest expense	1,375	1,026
Depreciation and amortization	2,521	2,342
Provision for loss on disposal	5,394	—
	9,290	3,368
Loss from discontinued gaming operations	$ (7,493)	$ (1,196)

In 2000, income from gaming produced disappointing results primarily due to the casino opened in March. Results were also impacted by non-recurring operating expenses of $855,000 and the slow pace of expansion due to a lack of suitable sites.

As a result of the decision to sell its investment in gaming, the Company expensed the unamortized licensing costs and booked a provision for loss from the sale. The total charge was $5.4 million which, combined with depreciation and amortization of $2.5 million, resulted in a loss from the discontinued gaming operations of $7.5 million.

Interest Expense

			2000			1999
(000s)	RPC	PNP	Total	RPC	PNP	Total
Total interest	$ 29,274	$ 38,030	$ 67,304	$ 28,153	$ 35,569	$ 63,722
Less: amortization of debt discount	165	854	1,019	103	1,052	1,155
	29,109	37,176	66,285	28,050	34,517	62,567
Plus: interest capitalized	500	300	800	268	343	611
Total interest cost	$ 29,609	$ 37,476	$ 67,085	$ 28,318	$ 34,860	$ 63,178
Cash flow from continuing operations	(12,331)			(11,010)		
Dividends from PNP	24,714			25,694		
Cash flow before interest	$ 41,992			$ 43,002		
Interest coverage	1.42			1.52		

RPC's interest expense increased primarily as a result of funds borrowed during the year for general corporate purposes. The interest coverage ratio also declined due in part to the costs of responding to the takeover bid.

INCOME TAXES

The Company has adopted a new accounting standard for income taxes on a retroactive basis with 1999 financial statements being restated. The effect of the change on 1999 was to reduce the opening deficit on the balance sheet by $5,530,000 and increase the income tax provision by $1,530,000.

A significant change in the new standard is the requirement to measure future income tax assets and liabilities using the currently enacted, or substantively enacted, tax rates and laws expected to apply when the temporary differences reverse. The October Federal "mini budget," which was deemed to have been enacted in December, announced a scheduled reduction of income tax rates which will reduce the future income tax liability and explains the reduction of the income tax provisions recorded by the Company through the third quarter of 2000.

CHANGES IN FINANCIAL CONDITIONS

Normal Course Issuer Bid

Management believes that at current prices, the common shares of the Company represent good value. Accordingly, the Company maintains a Normal Course Issuer Bid in accordance with the rules of the Toronto Stock Exchange for the purchase of its shares from time to time.

During 2000, the Company purchased 4,357,900 shares (3,523,800 in 1999) at a cost of $9.0 million ($8.7 million in 1999) representing an average cost of $2.08 per share. At year-end, there were 63,951,828 shares outstanding. Since year-end, 50,333 options were exercised increasing the shares outstanding to 64,002,161.

In March 2001, the Company announced its filing of a Normal Course Issuer Bid that will permit the purchase for cancellation through the facilities of the Toronto Stock Exchange, up to: 1) $3,500,000 of its outstanding 7.5% convertible debentures, 2) U.S. $3,400,000 of its outstanding 6.0% convertible debentures and 3) $5,500,000 of its outstanding 7.0% convertible debentures. Each amount represents approximately 10% of the public float of each series. Such purchases may be completed during the 12 month period commencing March 7, 2001 and ending March 6, 2002.

Cash on Hand

At December 31, 2000, cash and short-term investments totalled $9.6 million of which $5.8 was restricted by debt or joint venture agreements and was not available for general corporate purposes.

(000s)

Cash at year-end	$ 3,805
Unused lines of credit	7,900
Total available sources	$ 11,705

Subsequent to the year-end, the Company sold 2.8 million PNP shares for proceeds of $87 million which was used to repay variable rate debt.

Assets

The Company's principal business is the ownership and management of rental properties. Generally accepted accounting principles require that the Company accounts for its investment in Pan Pacific as an equity investment following PNP's merger with Western and the reduction of the Company's ownership percentage to 33%. After year-end, the percentage was reduced to 26% due to the sale of 2.8 million shares.

(000s)	2000	%	1999	%
Rental properties	$ 132,671	28	$ 133,258	10
Land under development	10,100	2	9,987	1
Land held for development	3,700	1	3,692	—
	146,471	31	146,937	11
Investment in PNP	334,636	69		
Rental properties PNP			1,157,617	89
	$ 481,107	100	$ 1,304,554	100

Land under development represents the cost of the remaining land at the Guelph Eastview project while the land held for development is a site of 386 acres in Guelph Township.

A majority of the Canadian properties have been owned for over 25 years. As a result, management believes that book value, which reflects historical costs less accumulated depreciation, is substantially below the aggregate current market value of the properties.

Assets of Discontinued Gaming Operations

During 2000, P.T.'s opened two sports bars with another opened at the end of February 2001. The casino located in Henderson, a suburb of Las Vegas, was opened in March 2000. Following the decision to sell its investment in P.T.'s, the Company wrote off the unamortized licensing costs and provided for a loss on disposal. The carrying value of this asset is its estimated net realizable value.

Liabilities

(000s)		2000	1999
Mortgages on rental properties		$ 101,442	$ 104,523
Loan payable on land under development		3,314	4,059
Loans payable on investment in PNP and on discontinued gaming operations		111,038	97,816
Bank indebtedness		9,862	2,938
Long-term debt and bank indebtedness	A	225,656	209,336
Convertible debentures (including equity component)	B	181,083	179,066
Total debt	C	406,739	388,402
Excess of market value over book value		154,000	110,000
Shareholders' equity		88,047	91,237
	D	242,047	201,237
		181,083	179,066
	E	$ 423,130	$ 380,303
If convertible debentures are debt	C/D	1.68:1	1.93:1
If convertible debentures are equity	A/E	0.53:1	0.55:1

Total debt increased by $16 million during 2000, of which $2 million was related in part to a weaker Canadian dollar. Other factors contributing to the increase were the repurchase of shares and investments in rental properties.

The Company's debt has been measured to its equity using common ratios. For the analysis, management has estimated the excess of market value over book value of the rental properties and the investment in PNP to be approximately $154 million. Market value was determined by applying an average capitalization rate of 9.35% to the budgeted 2001 rental property income and a market rate to the PNP shares remaining after the January share sales. The ratios improved primarily as a result of the increase in appraisal surplus of the Canadian portfolio.

Interest Rate Structure

(000s)	2000		1999	
Mortgages on rental properties – fixed rate	$ 101,442		$ 103,075	
Convertible debentures (including equity component)	181,083		179,066	
	282,525		282,141	
Weighted average interest rate	7.54%		7.56%	
Long-term variable rate debt	114,352		103,323	
Weighted average interest rate	8.38%		8.03%	
Bank indebtedness	9,862		2,938	
Total fixed rate debt	282,525	69%	282,141	73%
Total variable rate debt	124,214	31%	106,261	27%
	$ 406,739		$ 388,402	

In January 2001, the Company sold 2.8 million shares of PNP and applied the $87 million proceeds to repay variable rate debt, reducing the debt to equity ratio to 1.32:1 from 1.68:1 and increasing the fixed rate debt to 88% from 69%.

RISK MANAGEMENT

The Company can be expected to face the following risks in the normal course of its operations.

Operating Risk

In Canada, the Company's primary business is the ownership and management of a portfolio of retail and residential properties. General economic conditions impact the demand and rental rates for both retail and residential units, which in turn affects cash flow.

The Company's major retail properties are located in the economically strong Greater Toronto Area which generated 85% of the reported rental revenues. The level of sales achieved at each property is closely related to the rental rates and occupancy levels. During 2000, average sales per square foot at the Company's four retail properties were $490, an increase of 5% from the $468 achieved in 1999. Occupancy rates were 97% at December 31, 2000 as compared with 97% a year earlier.

The Company's residential properties are all located in Toronto and contributed 39% of the rental revenues. The average per suite monthly rental rate at year-end was $893, an increase of 4.6% for the year, following a 7.6% increase in 1999. These increases result in part from a program of in-suite improvements undertaken over the past two years following changes to the Ontario Tenant Protection Act.

Investment in Pan Pacific

PNP's retail centres, located on the U.S. west coast, in strong established markets, are anchored primarily by supermarkets offering day-to-day necessities. The Western acquisition increased the strength of the portfolio and the company's dominance in key high barrier to entry markets. PNP has declared an increase in its quarterly dividend.

Discontinued Gaming Assets

The Company's gaming operations are subject to the licensing and regulatory requirements of the Nevada State Gaming Control Board and the Nevada Gaming Commission.

Gaming is highly competitive in Las Vegas; however, P.T.'s with 24 units is a recognized brand that should be attractive to prospective purchasers.

Management has estimated the net realizable value of the gaming assets based on the information available at the time the financial statements were finalized. The actual proceeds may vary from the estimate.

Financing Risk

The Company's debt at year-end, including the convertible debentures, was $407 million as compared with $388 million a year earlier. Subsequent to year-end, debt was reduced to $320 million, of which $37 million is variable rate debt. A change of 1% in interest rates would affect cash flow by $370,000 or 0.5 cents per share.

At year-end, debt maturities over the next three years totalled $235 million. Of this total, $183 million was due in 2002 and $46 million in 2003. The loan repayments made subsequent to year-end reduced the debt maturing in 2002 to $96 million, which the Company will pay down or refinance as necessary.

Foreign Exchange Risk

(000s)

As at December 31, 2000		
U.S. dollar assets	$	239,000
U.S. dollar debt		108,000
	$	131,000
For the year ended December 31, 2000		
U.S. dollar income	$	31,000
U.S. dollar expense		28,000
	$	3,000

The Company has net assets denominated in U.S. dollars of $131 million, being principally its investment in the shares of Pan Pacific. The Company continues to believe at this time that it is not appropriate to hedge the foreign exchange conversion risk.

U.S. dollar income in the future will represent the Company's interest in PNP's income and P.T.'s earnings. Expenses represent interest and administrative expenses. U.S. cash received is primarily dividends from PNP. To date, the Company has not entered into currency derivatives.

At December 31, 2000, the Canadian dollar value was U.S. 66.56 cents as compared with 69.22 cents a year earlier. The average exchange rate for 2000 was U.S. 67.35 cents as compared with 67.30 cents in 1999. A one cent change in the Canadian dollar would change net assets and net income by $2.9 million and $67,000 respectively. A strong Canadian dollar reduces assets and liabilities, income and expenses, net income and cash flow.

Environmental Risk

The Canadian portfolio is comprised of mature properties all of which comply with current environmental guidelines. No problems were identified during 2000.

As a landlord, there is an environmental risk as a result of the possible use of foreign substances by retail tenants who handle, store and generate small quantities of hazardous waste. The Company attempts to mitigate this risk through the terms of its leases and by periodic inspections by both management and technical consultants.

While the Company believes that it complies with current standards, there can be no assurance that laws or regulations will not be changed in the future or that its properties will not be affected by tenants or by adjacent landowners. The Company has not been notified by any governmental authority, nor is it aware of any material non-compliance relating to hazardous or toxic substances in connection with any of its properties.

Outlook

The fundamentals of the real estate industry are expected to be favourable in 2001. Interest rates have declined in 2001, as have Canadian income tax rates. Both reductions should benefit the Company's retail and residential properties.

Pan Pacific continues to record strong gains and has declared an increased quarterly dividend. These positive results should be reflected in an increased share price. The Company expects to sell shares as share price targets are met, with the proceeds used to reduce debt levels.

Note:

Certain matters discussed are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from the Company's expectations include market valuations of its shares, financial performance and operations of its shopping centres and residential properties, real estate conditions, successful completion of renovations, changes in the availability of acquisitions, execution of competing programs, changes in economic conditions, changes in gaming regulation and taxes, and other risks detailed from time to time in reports filed with the Securities and Exchange Commission including the Annual Report on Form 20F.

Management's Report to Shareholders

The consolidated financial statements of Revenue Properties Company Limited have been prepared by management in accordance with generally accepted accounting principles appropriate for the real estate industry. Management is responsible for the information contained in these financial statements and other sections of this annual report.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. Where necessary, management uses judgment to make estimates required to ensure fair and consistent presentation of this information. Management recognizes its responsibility for conducting the Company's affairs in compliance with applicable laws and proper standards of conduct.

The Audit Committee of the Board of Directors of the Company, consisting solely of outside directors, has reviewed the consolidated financial statements, the report to shareholders and the management's discussion and analysis with management and the external auditors, KPMG LLP, and recommended their approval to the Board of Directors. The Board of Directors has approved the consolidated financial statements.

KPMG LLP, appointed by the shareholders, have conducted an independent examination in accordance with generally accepted auditing standards, and have had full access to the Audit Committee, with and without management being present.

Paul D. Campbell
President and Chief Executive Officer

Richard E. Fletcher
Vice-President, Finance and Chief Financial Officer

Auditors' Report

THE SHAREHOLDERS, REVENUE PROPERTIES COMPANY LIMITED

We have audited the consolidated balance sheets of Revenue Properties Company Limited as at December 31, 2000 and 1999 and the consolidated statements of income, deficit, cash flow from continuing operations and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
February 28, 2001

Consolidated Balance Sheets

As at December 31 *(in thousands of Canadian dollars)*	Note	2000	1999
ASSETS			
Rental properties	4	$ 132,671	$ 1,290,875
Properties held for and under development	5	13,800	13,679
Mortgages and advances receivable	6	11,756	18,082
Investment in shares of PNP		334,636	—
Other assets	7	15,434	36,286
Assets of discontinued gaming operations	3	18,485	21,427
		$ 526,782	$ 1,380,349
LIABILITIES AND SHAREHOLDERS' EQUITY			
Long-term debt	8	$ 215,794	$ 722,575
Convertible debentures	9	118,569	118,132
Bank indebtedness	10	9,862	2,938
Accounts payable and deposits		20,877	47,098
Future income tax liability	15	2,974	2,630
		368,076	893,373
Commitments, contingencies and subsequent event	13, 16, 19		
Minority interest		—	328,057
Shareholders' equity	12	158,706	158,919
		$ 526,782	$ 1,380,349

The accompanying notes form an integral part of these financial statements.

David A. King
Director

Paul D. Campbell
Director

Consolidated Statements of Income

Years ended December 31 *(in thousands of Canadian dollars, except per share amounts)*	Note	2000	1999
RENTAL OPERATIONS			
Revenue		$ 204,964	$ 208,974
Property operating expenses		69,230	72,388
		135,734	136,586
REAL ESTATE SALES			
Sales		6,399	47,539
Cost of sales		6,084	53,273
		315	(5,734)
GROSS PROFIT		136,049	130,852
Other operating expenses:			
Interest		67,304	63,722
General and administrative		11,725	12,861
Depreciation and amortization		17,976	18,516
		97,005	95,099
OPERATING PROFIT		39,044	35,753
Cost of responding to takeover bid		(1,887)	—
Equity in earnings of PNP		3,118	—
Minority interest		(30,219)	(30,127)
Gain from reduction of interest in PNP		5,638	—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		15,694	5,626
Income taxes	15	(690)	(2,232)
INCOME FROM CONTINUING OPERATIONS		15,004	3,394
Loss from discontinued gaming operations, net of income tax of nil	3	(7,493)	(1,196)
NET INCOME		$ 7,511	$ 2,198
Income per common share from continuing operations		$ 0.18	$ 0.01
Income per common share		$ 0.07	$ 0.00
Weighted average number of shares (in thousands)		65,235	69,755

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Deficit

Years ended December 31 *(in thousands of Canadian dollars)*	Note	2000	1999
Deficit at beginning of year		$ 112,820	$ 106,308
Section 3465 restatement	2	(4,000)	(5,530)
Deficit at beginning of year, after restatement		108,820	100,778
Net income before restatement		(7,511)	(3,728)
Section 3465 restatement	2	—	1,530
Net income for the period, after restatement		(7,511)	(2,198)
Dividends		7,783	7,545
Settlement of convertible debentures		2,979	2,695
		$ 112,071	$ 108,820

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Cash Flow from Continuing Operations

Years ended December 31 *(in thousands of Canadian dollars)*	2000	1999
Income from continuing operations	$ 15,004	$ 3,394
Add (deduct) non-cash items:		
Depreciation and amortization		
RPC	6,610	6,554
Company's share of PNP	7,024	7,252
Loss on sale of rental property	—	4,461
Company's share of PNP's loss on sale of rental properties	—	705
Equity in earnings of PNP	(3,118)	—
Dividends from PNP	4,493	—
Gain from reduction of interest in PNP	(5,638)	—
Income taxes	344	1,530
Other	653	290
CASH FLOW FROM CONTINUING OPERATIONS	$ 25,372	$ 24,186

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Cash Flow

Years ended December 31 *(in thousands of Canadian dollars)*	2000	1999
OPERATING ACTIVITIES		
Cash flow from continuing operations	$ 25,372	$ 24,186
Amortization of discount of convertible debentures	1,565	1,551
Re-leasing costs	(1,559)	(1,047)
Net change in other assets and liabilities	13,173	1,985
	38,551	26,675
Net decrease in PNP's other assets and liabilities	(8,262)	(3,596)
Cash flow from discontinued gaming operations	704	1,523
	30,993	24,602
INVESTING ACTIVITIES		
Acquisition and development of RPC's real estate	(9,727)	(15,077)
Net proceeds from property sales	1,049	20,382
Change in restricted cash	(1,552)	(768)
Decrease in cash due to reduction of interest in PNP	(7,351)	—
	(17,581)	4,537
Net decrease in PNP's investing activities	(68,328)	(103,118)
Investment in discontinued gaming operations	(4,164)	(4,468)
	(90,073)	(103,049)
FINANCING ACTIVITIES		
Issue of capital stock	181	48
Net change in RPC's long-term debt and bank indebtedness	10,521	(5,561)
Repurchase of capital stock	(9,045)	(8,730)
Dividends paid	(7,783)	(7,545)
Settlement of convertible debentures	(2,978)	(2,695)
	(9,104)	(24,483)
Net increase in PNP's financing activities	65,052	100,809
Increase in debt of discontinued gaming operations	1,789	1,600
	57,737	77,926
TOTAL CASH PROVIDED (USED)	(1,343)	(521)
Effect of foreign currency translation on cash balances	1,803	(1,930)
Cash and cash equivalents at beginning of year	3,345	5,796
Cash and cash equivalents at end of year	$ 3,805	$ 3,345
Supplemental cash flow information:		
Proceeds on property sales satisfied by mortgages receivable	$ 5,350	$ 10,815
Cash interest paid in the year	68,969	63,360
Cash income taxes paid in the year	385	718

The accompanying notes form an integral part of these financial statements.

December 31, 2000 *(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)*

Revenue Properties Company Limited (the "Company") is engaged primarily in the ownership and operation of rental properties and real estate development in Canada and the United States.

1. SIGNIFICANT EVENTS

(a) Merger involving Pan Pacific Retail Properties, Inc.

On November 12, 2000, the Company's subsidiary, Pan Pacific Retail Properties, Inc. ("PNP"), completed the acquisition of Western Properties Trust ("Western"). This acquisition was effected by PNP issuing shares to Western's existing unitholders. This issuance of these shares reduced the Company's percentage ownership in PNP to approximately 33% from 51%. Consequently, the financial statements of the Company include the consolidated financial results of PNP to November 12, 2000 and the earnings of PNP recorded in accordance with the equity method of accounting for the period subsequent to November 12, 2000.

(b) Discontinued gaming operations

In December 2000, the Company announced plans to divest its investment in gaming. As a result of this plan of disposal, the results of operations of gaming have been reported as discontinued operations and previously reported periods' results have been reclassified. Management is actively pursuing the sale of its investment and plans to complete the sale in 2001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

The Company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants ("CICA") and the Canadian Institute of Public and Private Real Estate Companies.

(b) Subsidiaries, joint ventures, and equity investments

The consolidated financial statements include the accounts of the Company, its subsidiaries and its proportionate share of the assets, liabilities, revenues, expenses, and cash flows of incorporated and unincorporated joint ventures. The Company has decided to discontinue its investment in gaming as more fully described in note 3.

All material intercompany accounts and transactions have been eliminated.

The Company accounts for its investment in which it is able to exercise significant influence in accordance with the equity method. Under the equity method, the original cost of the investment is adjusted for the Company's share of post-acquisition earnings, losses and capital transactions.

(c) Asset valuation

(i) *Rental properties* – Rental properties are carried at the lower of depreciated cost and net recoverable amount. Cost includes interest, realty taxes, and other carrying charges, applicable general and administrative expenses incurred in the pre-development and construction periods and initial leasing costs.

(ii) *Land* – Land is carried at the lower of cost and net realizable value. The cost of land includes pre-development expenses, interest, realty taxes and other directly related expenses. General and administrative expenses, including salaries, which can be clearly identified with the development of a property, are allocated to the cost of that property. Allocated costs are charged to saleable acreage on the basis of anticipated revenues.

(iii) *Valuation principles* – Net recoverable amount represents the estimated future cash flow expected to be received from the use and residual value of the property on an undiscounted basis. Estimated net realizable value represents the estimated selling price reduced by any costs expected until final disposition, assuming a reasonable development and sales period and market conditions.

The use of net recoverable amount to assess the amount at which a property is carried in the accounts assumes that the property will be held for the long term. Otherwise, the use of the net realizable value method may be more appropriate.

In determining estimates of net recoverable amounts and net realizable values for its rental properties, properties held for sale or development, amounts receivable and investments, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change materially, the estimated net recoverable amounts and net realizable values could change by a material amount.

(d) Income recognition

(i) *Rental properties* – Revenues and earnings from rental properties under development are recorded in income when a rental occupancy of 70% has been achieved or when a predetermined time limit expires, whichever comes sooner. Prior to this time, the properties are categorized as rental properties under development and net rental income is recorded as a reduction of development costs.

(ii) *Real estate sales* – Income from the sale of land and rental properties is recognized when all material conditions have been fulfilled, at least 15% of the purchase price has been received and the ultimate collection of the proceeds is reasonably assured.

(e) Depreciation and amortization

Depreciation on buildings is provided under the sinking fund method. Under this method, depreciation is charged to income in amounts which increase annually consisting of fixed annual sums together with interest compounded at the rate of 5% per annum so as to fully depreciate the buildings over their estimated useful lives of 40 years.

Depreciation on furniture and equipment is provided at 20% on a declining balance basis.

Re-leasing costs for commercial properties are amortized on a straight-line basis over the term of the leases.

(f) Stock-based compensation plans

The Company has a stock option plan which is described in note 12(d). No compensation expense is recognized for the plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to capital stock.

(g) Foreign exchange

Assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at average exchange rates for the year. Related foreign currency translation adjustments are recorded as a separate component of shareholders' equity until there is a disposition of the Company's investment in the foreign operations.

December 31, 2000 *(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)*

	2000	1999
Canadian dollar to United States dollar exchange rates:		
– December 31	$ 0.6656	$ 0.6922
– Average during year	$ 0.6735	$ 0.6730
United States dollar to Canadian dollar exchange rates:		
– December 31	$ 1.5023	$ 1.4447
– Average during year	$ 1.4848	$ 1.4858

(h) Income per share

Income per share has been calculated using the weighted average number of common shares outstanding during the year, divided into net income adjusted for the provision for settlement of convertible debentures.

(i) Statements of cash flow

For the purposes of the consolidated statements of cash flow, the Company considers all short-term investments with maturity dates of three months or less to be cash equivalents.

(j) Section 3465 restatement of income taxes

Effective January 1, 2000, the CICA changed the accounting standards relating to the accounting for income taxes.

The CICA's new standard on accounting for income taxes adopts the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the provision for current income taxes and the difference between the opening and the ending balances of the future income tax assets and liabilities.

Prior to adoption of this new accounting standard, income tax expense was determined using the deferral method. Under this method, deferred income tax expense was determined based on "timing differences" (differences between the accounting and tax treatment of items of expense or income), and was measured using the tax rates in effect in the year the differences originated. Certain deferred tax assets, such as the benefit of tax losses carried forward, were not recognized unless there was virtual certainty that they would be realized.

The Company has adopted the new income tax accounting standard effective January 1, 2000 and has applied the provisions of the standard retroactively with prior periods being restated. The cumulative effect of this change of accounting for income taxes of $4,000,000 is determined as of January 1, 2000 ($5,530,000 as of January 1, 1999) and is reported separately as a reduction of the opening balance of deficit for the year ended December 31, 2000 (and the comparative year ended December 31, 1999).

The consolidated financial statements for the year ended December 31, 1999 have been restated to comply with the provisions of Section 3465. Net income for the year ended December 31, 1999 has been reduced by $1,530,000 ($0.01 per share) as a result of adopting the new income tax standard.

3. DISCONTINUED GAMING OPERATIONS

As a result of the Company's intent to discontinue gaming, the results of operations have been reclassified. The summarized statement of operations for gaming follows:

	2000	1999
Revenue	$ 21,720	$ 14,651
Operating expenses	(19,923)	(12,479)
Interest expense	(1,504)	(1,098)
Depreciation and amortization	(2,392)	(2,270)
Provision for loss on disposal of discontinued gaming operations	(5,394)	—
Loss from discontinued gaming operations, net of income tax of nil	$ (7,493)	$ (1,196)

Summarized balance sheet information for gaming is as follows:

Assets	2000	1999
Property and equipment, net of depreciation	$ 9,241	$ 10,168
Other assets	9,244	11,259
Total	$ 18,485	$ 21,427

Liabilities	2000	1999
Long-term debt	$ 16,996	$ 14,603
Accounts payable and deposits	1,251	929
Total	$ 18,247	$ 15,532

The Company recorded a pre-tax impairment provision of $5,394,000 which reduced the carrying value of the assets to their estimated net realizable value.

The Company's gaming operations are subject to the licensing and regulatory requirements of the Nevada State Gaming Control Board and the Nevada Gaming Commission. The Company's gaming licences are subject to certain conditions and periodic renewal.

4. RENTAL PROPERTIES

	2000			1999
	RPC	RPC	PNP	Total
Land	$ 11,900	$ 12,141	$ 305,099	$ 317,240
Buildings and improvements	155,619	153,439	893,127	1,046,566
	167,519	165,580	1,198,226	1,363,806
Accumulated depreciation	(34,848)	(32,322)	(40,609)	(72,931)
	$ 132,671	$ 133,258	$ 1,157,617	$ 1,290,875

5. PROPERTIES HELD FOR AND UNDER DEVELOPMENT

	2000	1999
Under development	$ 10,100	$ 9,987
Held for development	3,700	3,692
	$ 13,800	$ 13,679

December 31, 2000 *(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)*

6. MORTGAGES AND ADVANCES RECEIVABLE

	2000 RPC	1999 RPC	1999 PNP	1999 Total
Mortgages and notes receivable	$ 7,571	$ 8,974	$ 4,396	$ 13,370
Advances receivable, non interest bearing	4,185	4,712	—	4,712
	$ 11,756	$ 13,686	$ 4,396	$ 18,082

Mortgages and notes receivable bear interest at rates which vary from 0% to 10% (weighted average rate 2.91%), and are to be repaid at various dates as follows:

2001	$ 856
2002	610
2003	6,008
2004	97
	$ 7,571

7. OTHER ASSETS

	2000 RPC	1999 RPC	1999 PNP	1999 Total
Unrestricted cash and cash equivalents	$ 3,805	$ 1,759	$ 1,586	$ 3,345
Short-term investments	5,037	3,705	—	3,705
Restricted cash	780	560	856	1,416
Accounts receivable	1,839	2,152	4,761	6,913
Prepaid expenses and sundry assets	3,973	5,566	15,341	20,907
	$ 15,434	$ 13,742	$ 22,544	$ 36,286

Restricted cash and short-term investments are restricted by debt or joint venture agreements and are not available to be used for the general purposes of the Company.

8. LONG-TERM DEBT

	2000 RPC	1999 RPC	1999 PNP	1999 Total
Mortgages on rental properties	$ 101,442	$ 104,523	$ 330,100	$ 434,623
Loan payable on land under development	3,314	4,059	—	4,059
Loan payable on investment in PNP	94,042	83,213	186,077	269,290
Loans payable on discontinued gaming operations	16,996	14,603	—	14,603
	$ 215,794	$ 206,398	$ 516,177	$ 722,575
Fixed interest rate debt	$ 101,442	$ 103,075	$ 330,100	$ 433,175
Range of interest rates at December 31	6.7-10.75%	5.5-10.75%	7.0-8.17%	5.5-10.75%
Weighted average interest rate at December 31	8.83%	8.80%	7.53%	7.84%
Variable interest rate debt	$ 114,352	$ 103,323	$ 186,077	$ 289,400
Range of interest rates at December 31	8.27-9.03%	7.5-8.73%	7.63%	7.5-8.73%
Weighted average interest rate at December 31	8.38%	8.03%	7.63%	7.77%

Principal payments are due as follows:

2001	$ 5,615
2002	183,126
2003	1,224
2004	734
2005	795
2006 and subsequent	24,300
	$ 215,794

Debt on rental properties and land under development is secured by mortgages and assignments of various assets of the Company.

RPC's loans payable include debt of U.S. $71,599,000 (1999: U.S. $66,599,000) equivalent to Cdn. $107,563,000 (1999: Cdn. $96,216,000) which is secured by the Company's investment in PNP. A loan covenant provides for a margin maintenance call if the market value of the pledged shares drops below specified levels.

Certain of the Company's debt agreements require the Company to maintain minimum financial covenants.

Subsequent to December 31, 2000 the Company repaid variable rate loans that would have been due in 2002 totalling approximately Cdn. $87,203,000 (U.S. $58,046,000) as more fully described in note 19.

9. CONVERTIBLE DEBENTURES

The Company has three different convertible debentures summarized as follows:

(a) Issue amount – $45,002,000, bearing interest at 7.5% per annum, payable semi-annually and maturing October 1, 2003. All amounts due are payable in cash.

The debentures are unsecured and are convertible into common shares at a price of $3.70 per common share at any time prior to the earlier of September 30, 2003 and the last business day immediately preceding the date specified for redemption. The debentures are redeemable by the Company at any time at par plus accrued and unpaid interest.

(b) Issue amount – $52,580,500 (U.S. $35,000,000) issued in U.S. funds, bearing interest at 6% per annum, payable semi-annually and maturing March 1, 2004. All amounts due are payable in cash.

The debentures are unsecured and are convertible into common shares at a price of U.S. $3.45 per common share at any time prior to the earlier of February 27, 2004 and the last business day immediately preceding the date specified for redemption. The debentures are redeemable by the Company at any time at par plus accrued and unpaid interest.

(c) Issue amount – $85,000,000, ($83,500,000 outstanding at December 31, 2000 and 1999) bearing interest at 7% per annum, payable semi-annually and maturing December 31, 2006. Interest payments are payable in cash. Principal due on maturity or redemption is payable, at the Company's option, in either cash or common shares.

The debentures are unsecured and are convertible into common shares at a price of $3.30 per common share at any time prior to the earlier of December 31, 2006 and the last business day immediately preceding the date specified for redemption.

The debentures will be redeemable at par plus accrued interest but only if the weighted average daily closing price at which the common shares of the Company (the "Common Shares") have traded on the Toronto Stock Exchange during the 20 consecutive trading days ending not more than five days prior to the date on which notice of redemption is given exceeds: 125% of the conversion price if given on or after January 1, 2001 and on or prior to December 31, 2001; 120% if given on or after January 1, 2002 and on or prior to December 31, 2002; 115% if given on or after January 1, 2003 and on or prior to December 31, 2003; 110% if given on or after January 1, 2004 and on or prior to December 31, 2004; 105% if given on or after January 1, 2005 and on or prior to December 31, 2005; and 100% if given on or after January 1, 2006.

The issue amount for each convertible debenture has been allocated between an equity component (paid-in capital) and a liability component. The liability component has been calculated, effective the date of issue, by discounting the mandatory cash payments of principal and interest under the terms of the

December 31, 2000 (Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

debenture. The principal due on maturity of the issue referred to in (c) above has not been included in the calculation of the respective liability since the Company has the option to settle the principal amount in common shares. The discount rates used reflect the interest rate that would have been exigible had the Company issued a pure debt instrument of a similar term. Recorded interest expense related to the convertible debentures is determined by applying the discount rate to the outstanding liability component, while the differential between the recorded interest expense and the interest payment is recorded as settlement of convertible debentures in the consolidated statement of deficit.

The equity component is the arithmetic difference between the amount issued and the calculated liability component referred to above, adjusted for issue costs.

The components of the convertible debentures are classified as follows:

2000 Principal	Maturity date	2000 Liability	2000 Paid-in capital	1999 Liability	1999 Paid-in capital
$ 45,002	October 1, 2003	$ 43,546	$ 5,133	$ 43,017	$ 5,133
52,581	March 1, 2004	49,302	9,378	46,416	9,378
83,500	December 31, 2006	25,721	56,148	28,699	53,171
$ 181,083		$ 118,569	$ 70,659	$ 118,132	$ 67,682

10. BANK INDEBTEDNESS

	2000	1999
Debt outstanding at December 31	$ 9,862	$ 2,938
Average debt outstanding	10,207	6,227
Weighted average interest rate at December 31	7.80%	6.75%
Weighted average interest rate during the year	7.69%	6.43%

The interest rate on bank indebtedness is 0.3% above the prime interest rate charged by a Canadian chartered bank. The bank indebtedness is secured by a demand debenture and a first mortgage on one of the Company's properties.

At December 31, 2000, the Company's unused line of credit for general corporate purposes was $7,900,000.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, bank indebtedness and accounts payable and deposits approximates fair value due to the short-term maturity of these instruments. Financial instruments with a carrying value different from their fair value include the following:

	2000		1999					
	Carrying value	Fair value	Carrying value			Fair value		
	RPC	RPC	RPC	PNP	Total	RPC	PNP	Total
Mortgages and advances receivable	$ 11,756	$ 11,264	$ 13,686	$ 4,396	$ 18,082	$ 12,686	$ 1,952	$ 14,638
Long-term debt	215,794	216,331	206,398	516,177	722,575	206,726	513,383	720,109
Convertible debentures	181,083	145,067	179,066	—	179,066	146,983	—	146,983

The fair values of mortgages and advances receivable and long-term debt are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. The fair value of convertible debentures is estimated based on published bid prices.

12. SHAREHOLDERS' EQUITY

Shareholders' equity consists of the following:

	2000	1999
Capital stock – common shares	$ 139,403	$ 148,232
Warrants	—	2,841
Paid-in capital – convertible debentures (see note 9)	70,659	67,682
Contributed surplus	36,093	32,071
Foreign currency translation adjustment	24,622	16,913
Deficit	(112,071)	(108,820)
	$ 158,706	$ 158,919

(a) Capital stock – authorized

First preference shares – Unlimited number of shares

Second preference shares – Unlimited number of shares

Third preference shares – Unlimited number of shares

Common shares – Unlimited number of shares

(b) Capital stock – issued and outstanding

Changes in the Company's issued capital stock during the two-year period ended December 31, 2000 were as follows:

	Common shares	
	Shares	Amount
January 1, 1999	71,724,362	$ 155,819
Issued on exercise of employee stock options	22,500	48
Purchased and cancelled	(3,523,800)	(7,635)
December 31, 1999	68,223,062	148,232
Issued on exercise of employee stock options	86,666	181
Purchased and cancelled	(4,357,900)	(9,010)
December 31, 2000	63,951,828	$ 139,403

(c) Warrants

On September 1, 2000, the 10 million warrants issued in March 1998 expired. The $2,841,000 allocated to the value of these warrants has been transferred to Contributed Surplus.

(d) Stock-based compensation plans

The Company has a stock option plan pursuant to which no more than 6.5 million common shares may be issued at any time. The exercise price of each option equals the market price of the Company's stock on the date of the grant and an option's maximum term is five years. Options vest over a three-year period commencing with the date of grant. The exercise prices range from $1.95 to $3.85. The options have a weighted average remaining life of 2.1 years while the exercisable options have a weighted average remaining life of 1.7 years. A summary of the status of the Company's stock option plan as of December 31, 2000 and 1999 and the changes during the years ended on those dates is presented below.

December 31, 2000 *(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)*

	2000 Shares (000s)	2000 Weighted average exercise price	1999 Shares (000s)	1999 Weighted average exercise price
Outstanding at beginning of year	3,457	$ 2.88	3,144	$ 3.00
Granted	575	$ 1.95	517	$ 2.36
Exercised	(86)	$ 2.08	(22)	$ 2.15
Forfeited	(1,271)	$ 2.85	(182)	$ 3.49
Outstanding at end of year	2,675	$ 2.73	3,457	$ 2.88
Options exercisable at year-end	2,178	$ 2.87	2,848	$ 2.91

(e) Contributed surplus

	2000	1999
December 31, 1999	$ 32,071	$ 34,381
Expiry of warrants, September 1, 2000	2,841	—
Premium paid on common shares purchased for cancellation	(35)	(1,094)
Other	1,216	(1,216)
December 31, 2000	$ 36,093	$ 32,071

13. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

The Company is a lessee under a number of operating leases that expire at various dates ending in 2067. Rental expenses from continuing operations are as follows:

	2000 RPC	RPC	PNP	1999 Total
Gross rental expenses	$ 6,612	$ 6,647	$ 1,143	$ 7,790
Approximate annual rental expenses for next 5 years	6,612	6,530	684	7,214
Aggregate rental expense over remaining term of lease	201,838	200,837	7,779	208,616

(b) Rent controls

The Company has residential rental operations located in Ontario, Canada which are subject to rent controls.

14. CAPITALIZED CHARGES

Charges were capitalized as follows:

	2000 RPC	RPC	PNP	1999 Total
Interest	$ 500	$ 268	$ 343	$ 611
General and administrative	—	—	1,256	1,256
	$ 500	$ 268	$ 1,599	$ 1,867

15. INCOME TAXES

Income tax expense attributable to income from continuing operations consists of:

	2000	1999
Current	$ 346	$ 702
Future	344	1,530
Total	$ 690	$ 2,232

Income tax expense attributable to income from continuing operations differs from the amounts computed by applying the Canadian statutory rate of 44% to pre-tax income from continuing operations as a result of the following:

	2000	1999
Income from continuing operations	$ 15,694	$ 5,626
Combined Canadian federal and provincial statutory rate of tax	44%	45%
Computed tax based on statutory rate	6,905	2,532
Impact of lower effective tax rates on operations in the United States	(1,005)	(524)
U.S. minimum taxes	73	429
Large corporation tax	273	273
Change in the beginning of the year balance of the valuation allowance for future income tax assets	(3,424)	(1,209)
Adjustment to future income tax assets and liabilities for substantively enacted changes in tax rates	(1,853)	—
Other	(279)	731
	$ 690	$ 2,232

After applying the expected tax rates to the temporary differences, the future income tax assets and liabilities at December 31, 2000 and 1999 are presented below:

	2000	1999
Future income tax assets:		
Non capital loss carryforwards	$ 35,776	$ 43,337
Interest deferred for U.S. tax purposes	9,491	3,750
Other	1,885	637
Total gross future income tax assets	47,152	47,724
Less valuation allowances	(19,857)	(22,304)
Net future income tax assets	$ 27,295	$ 25,420
Future income tax liabilities:		
Rental properties	$ 14,322	$ 17,910
Investment in shares of PNP	15,947	10,140
Total gross future income tax liabilities	$ 30,269	$ 28,050
Net future income tax liability	$ (2,974)	$ (2,630)

RPC has income tax losses available for carryforward in Canada and the United States. These losses expire as follows:

Year of expiry	Canada	U.S.
2001	$ 6,231	U.S. $ —
2002	7,468	—
2003	15,864	—
2004	7,240	—
2005	879	—
2006	1,229	—
2007 and subsequent	373	41,000
	$ 39,284	U.S. $ 41,000

Due to the change in control of a subsidiary in 1992, approximately U.S. $16,000,000 (Cdn. $24,037,000) of tax losses carried forward available to reduce future United States taxable income will be subject to an annual deduction restriction of approximately U.S. $2,000,000 (Cdn. $3,004,000).

December 31, 2000 *(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)*

16. JOINT VENTURE OPERATIONS

The following amounts included in the consolidated financial statements are RPC's and PNP's proportionate interest in their joint ventures excluding gaming operations.

	2000 RPC	RPC	PNP	1999 Total
Assets	$ 54,200	$ 56,775	$ 2,396	$ 59,171
Liabilities	$ 19,830	$ 22,847	$ 243	$ 23,090
Equity and advances	34,370	33,928	2,153	36,081
	$ 54,200	$ 56,775	$ 2,396	$ 59,171
Revenues	$ 11,605	$ 16,888	$ 1,883	$ 18,771
Expenses	9,980	15,296	1,376	16,672
Income before income taxes	$ 1,625	$ 1,592	$ 507	$ 2,099
Cash provided (used):				
Operating activities	$ 3,913	$ 4,384	$ 324	$ 4,708
Investing activities	(5,814)	16,548	(86)	16,462
Financing activities	2,365	(2,376)	(122)	(2,498)
	$ 464	$ 18,556	$ 116	$ 18,672

The Company includes in its balance sheet the proportionate share of the assets and liabilities of RPC's joint ventures and partnerships. The Company is contingently liable for the other participants' portion of the liabilities of these joint ventures and partnerships. This contingent liability is approximately $22,204,000 at December 31, 2000. Against this contingent liability, RPC has recourse to all of the assets of the joint ventures or partnerships to the extent they are required to pay liabilities in excess of their proportionate share.

17. RELATED PARTY TRANSACTIONS

	2000	1999
Consulting services: Paid to AMCAN Financial Consultants	$ 984	$ 857

In 1998, the Company entered into a three year agreement with Mark M. Tanz, a shareholder and director, carrying on business as AMCAN Financial Consultants ("Amcan"), whereby the Company retained Amcan to provide advice and assistance in connection with mergers, acquisitions, gaming investment and development opportunities, financings and refinancings ("Transactions").

The agreement provides for payment of such reasonable fees determined on an arms length basis for similar services. Total fees payable are limited in any year to an aggregate of Canadian $300,000 and U.S. $420,000 and over life of the contract to the aggregate of Canadian $900,000 and U.S. $1,260,000. If the installments paid throughout the term of the agreement exceed the amount of fees charged for services during the period, the excess is to be repaid.

In 2000, the fees earned by Amcan for services were $826,000 (1999: $740,000) and were allocated to the Transactions.

18. SEGMENTED INFORMATION

The Company's principal operations are in the development, ownership and management of retail and residential properties. Substantially all of RPC's operations are in Canada. All of PNP's operations are in the western United States.

	2000 RPC	1999 RPC	1999 PNP	1999 Total
ASSETS				
Rental properties				
– Retail – Canada	$ 85,219	$ 86,141	$ —	$ 86,141
– Retail – U.S.	—	—	1,157,617	1,157,617
– Residential – Canada	47,452	47,117	—	47,117
Properties held for and under development	13,800	13,679	—	13,679
Mortgages and advances receivable	11,756	13,686	4,396	18,082
Investment in shares of PNP	334,636	308,382	(308,382)	—
Other assets	15,434	13,742	22,544	36,286
Assets of discontinued gaming operations	18,485	21,427	—	21,427
	$ 526,782	$ 504,174	$ 876,175	$ 1,380,349
LIABILITIES AND SHAREHOLDERS' EQUITY				
Long-term debt				
– Retail properties – Canada	$ 82,663	$ 83,748	$ —	$ 83,748
– Retail properties – U.S.	—	—	516,177	516,177
– Residential properties – Canada	18,779	20,775	—	20,775
– Land	3,314	4,059	—	4,059
– Investment in shares of PNP	94,042	83,213	—	83,213
– Discontinued gaming operations	16,996	14,603	—	14,603
Convertible debentures	118,569	118,132	—	118,132
Bank indebtedness	9,862	2,938	—	2,938
Accounts payable and deposits	20,877	15,157	31,941	47,098
Future income tax liability	2,974	2,630	—	2,630
Minority interest	—	—	328,057	328,057
Shareholders' equity	158,706	158,919	—	158,919
	$ 526,782	$ 504,174	$ 876,175	$ 1,380,349

December 31, 2000 *(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)*

			2000			1999
	RPC	PNP	Total	RPC	PNP	Total
INCOME (EXPENSES)						
Rental income						
– Retail properties – Canada	$ 17,141	$ —	$ 17,141	$ 16,572	$ —	$ 16,572
– Retail properties – U.S.	—	114,671	114,671	—	115,913	115,913
– Residential properties – Canada	3,922	—	3,922	4,101	—	4,101
Gain (loss) from real estate sales	315	—	315	(4,348)	(1,386)	(5,734)
Interest expense	(29,274)	(38,030)	(67,304)	(28,153)	(35,569)	(63,722)
General and administrative	(6,178)	(5,547)	(11,725)	(5,656)	(7,205)	(12,861)
Depreciation and amortization	(4,963)	(13,013)	(17,976)	(5,257)	(13,259)	(18,516)
OPERATING PROFIT (LOSS)	(19,037)	58,081	39,044	(22,741)	58,494	35,753
Cost of responding to takeover bid	(1,887)	—	(1,887)	—	—	—
Equity in earnings of PNP	3,118	—	3,118	—	—	—
Minority interest	—	(30,219)	(30,219)	—	(30,127)	(30,127)
Gain from reduction of interest in PNP	5,638	—	5,638	—	—	—
Income taxes	(656)	(34)	(690)	(2,106)	(126)	(2,232)
Loss from discontinued gaming operations, net of income tax of nil	(7,493)	—	(7,493)	(1,196)	—	(1,196)
NET INCOME (LOSS)	$ (20,317)	$ 27,828	$ 7,511	$ (26,043)	$ 28,241	$ 2,198

As a result of PNP's acquisition described in note 1 the Company's portion of PNP's operating profit is recorded separately as $58,081,000 prior to the Western merger and equity in earnings of PNP after the merger of $3,118,000 for an annual total of $61,199,000.

Prior year segmented information has been restated to conform to current reportable segments.

19. SUBSEQUENT EVENT

Subsequent to December 31, 2000 the Company sold 2,800,000 shares of PNP for proceeds of approximately $87,203,000 resulting in a gain of approximately $508,000. The proceeds of this sale were used to repay corporate debt. The sale reduced the Company's ownership of PNP to approximately 26%.

20. COMPARATIVE FIGURES

Certain prior years' numbers have been reclassified to conform to the current year's presentation.

2000 Summary of Operations by Quarter

(unaudited, in thousands of Canadian dollars, except per share amounts)

	1st Qr	2nd Qr	3rd Qr	4th Qr	Year 2000
Net rental operations					
– RPC	$ 4,923	$ 5,366	$ 5,981	$ 4,793	$ 21,063
– PNP	30,872	33,025	33,150	17,624	114,671
Net real estate sales	—	—	109	206	315
GROSS PROFIT	35,795	38,391	39,240	22,623	136,049
Other operating expenses – RPC					
Interest	7,105	7,319	7,460	7,390	29,274
General and administrative	1,387	1,259	1,235	2,297	6,178
Depreciation	1,194	1,180	1,176	1,413	4,963
Other operating expenses – PNP	15,024	16,194	16,054	9,318	56,590
	24,710	25,952	25,925	20,418	97,005
OPERATING PROFIT	11,085	12,439	13,315	2,205	39,044
Minority interest	(8,252)	(8,796)	(8,853)	(4,318)	(30,219)
Equity in earnings of PNP	—	—	—	3,118	3,118
Cost or responding to takeover bid	—	—	—	(1,887)	(1,887)
Gain from reduction of interest in PNP	—	—	—	5,638	5,638
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,833	3,643	4,462	4,756	15,694
Income taxes	(477)	(781)	(1,333)	1,901	(690)
INCOME FROM CONTINUING OPERATIONS	2,356	2,862	3,129	6,657	15,004
Loss from discontinued gaming operations, net of income tax of nil	(399)	(431)	(666)	(5,997)	(7,493)
NET INCOME	$ 1,957	$ 2,431	$ 2,463	$ 660	$ 7,511
Per common share:					
From continuing operations	$ 0.02	$ 0.03	$ 0.04	$ 0.09	$ 0.18
Net income	$ 0.02	$ 0.02	$ 0.03	$ (0.00)	$ 0.07
Cash flow	$ 0.10	$ 0.11	$ 0.12	$ 0.11	$ 0.44
Weighted average number of shares (in thousands)	66,731	65,594	64,755	63,881	65,235

Shareholders' Information

The following is a summary of prices per common share by quarter on the Toronto Stock Exchange, the principal market for these shares.

	2001 Jan. 1 to Feb. 28	4th Qr	3rd Qr	2nd Qr	2000 1st Qr
High	$ 2.45	$ 2.42	$ 2.20	$ 2.30	$ 2.30
Low	1.90	1.80	1.93	1.90	1.84

Approximate number of record holders of the Company's common shares as of February 28, 2001 are as follows:

Country	Number of holders of record	Number of shares
Canada	2,588	40,263,622
U.S.	1,040	693,223
Other countries	60	23,045,316
	3,688	64,002,161

Property Summary

RETAIL

Property & location	% Ownership		Company owned (sq. ft.)	Tenant owned (sq. ft.)
Centerpoint *Toronto, Ontario*	100%		479,778	122,251 *The Bay*
East York Town Centre *Toronto, Ontario*	100%		378,720	
The Colonnade – retail *Toronto, Ontario*	100%		94,635	
Guildwood Village *Toronto, Ontario*	100%		53,256	
Prairie Mall *Grande Prairie, Alberta*	50%		152,358	
Saint John City Hall *Saint John, New Brunswick*	50%		99,733	
Other properties	100%		32,678	
Totals & weighted averages		–	1,291,158	122,251

RESIDENTIAL

Property & location	% Ownership	No. of units	Company owned (sq. ft.)	Tenant owned (sq. ft.)
The Colonnade – residential[1] *Toronto, Ontario*	100%	158	156,765	
The Oaks[1] *Toronto, Ontario*	100%	1,215	888,767	
Kipling Avenue[1] *Toronto, Ontario*	100%	728	690,585	
Totals & weighted averages		2,101	1,736,117	
Grand totals & weighted averages			3,027,275	122,251

(1) Leasehold.

Total (sq. ft.)	% Leased	Normalized N.O.I.	Major tenants
602,029	99.6%	$ 7,070,532	The Bay, Zellers, Loblaws, Canadian Tire
378,720	99.7%	$ 4,321,320	Zellers, Dominion
94,635	99.2%	$ 2,152,956	
53,256	100.0%	$ 527,616	Valu-Mart
152,358	84.8%	$ 2,334,504	Zellers
99,733	99.0%	$ 293,862	City of Saint John
32,678	98.3%	$ 766,827	
1,413,409	97.9%	$ 17,467,617	

Total (sq. ft.)	% Leased	Normalized N.O.I.	Average monthly rent
156,765	98.4%	$ 1,010,364	$ 1,723
888,767	99.0%	$ 3,658,101	$ 774
690,585	98.8%	$ 617,791	$ 906
1,736,117	98.9%	$ 5,286,256	$ 893
3,149,526	98.4%	$ 22,753,873	

Five-Year Summary of Operations

(in thousands of Canadian dollars, except per share amounts)

Years ended December 31	2000[1]	1999[1]	1998	1997	1996
Net rental operations – RPC	$ 21,063	$ 20,673	$ 21,615	$ 41,380	$ 55,476
– PNP	114,671	115,913	92,962	29,065	—
Net real estate sales	315	(5,734)	(462)	29	(430)
GROSS PROFIT	136,049	130,852	114,115	70,474	55,046
Other operating expenses – RPC					
Interest	29,274	28,153	27,882	34,975	37,956
General and administrative	6,178	5,656	4,624	6,417	6,497
Depreciation	4,963	5,257	5,772	7,527	9,028
Diminution in value of certain assets	—	—	5,073	—	—
Other operating expenses – PNP	56,590	56,033	42,910	15,036	—
	97,005	95,099	86,261	63,955	53,481
OPERATING PROFIT	39,044	35,753	27,854	6,519	1,565
Minority interest	(30,219)	(30,127)	(24,845)	(5,638)	(16)
Equity in earnings of PNP	3,118	—	—	—	—
Cost of responding to takeover bid	(1,887)	—	—	—	—
Gain (loss) from reduction of interest in PNP	5,638	—	—	(21,085)	—
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	15,694	5,626	3,009	(20,204)	1,549
Income taxes	(690)	(2,232)	(806)	(229)	(549)
INCOME (LOSS) FROM CONTINUING OPERATIONS	15,004	3,394	2,203	(20,433)	1,000
(Loss) income from discontinued operations, net of income tax of nil	(7,493)	(1,196)	(131)	—	2,778
NET INCOME (LOSS)	$ 7,511	$ 2,198	$ 2,072	$ (20,433)	$ 3,778
Per common share:					
Income (loss) from continuing operations	$ 0.18	$ 0.01	$ 0.00	$ (0.35)	$ 0.01
Net income (loss)	$ 0.07	$ 0.00	$ 0.00	$ (0.35)	$ 0.05
Cash flow[2]	$ 0.44	$ 0.36	$ 0.27	$ 0.19	$ 0.19
Weighted average number of shares (in thousands)	65,235	69,755	72,652	65,603	66,121

(1) The consolidated summary of operations for the years 2000 and 1999 reflect the provisions of Section 3465. See note 2(j).

(2) Cash flow per common share includes the Company's economic interest in PNP as discussed on page 5 of this report.

Corporate Directory

DIRECTORS

** James R. Bullock (56)
*** *President, Glengate Investments Inc.*
Toronto, Ontario

* Paul D. Campbell (53)
**** *President and C.E.O.,*
Revenue Properties Company Limited
Toronto, Ontario

** David A. King (63)
President, David King Corporation
Toronto, Ontario

*** Abbey A. Lipson (70)
**** *Chairman, McGregor Industries Inc.*
Toronto, Ontario

* K. Rai Sahi (54)
Chairman and C.E.O., Acktion Corporation and Goldlist Properties, Inc.
Toronto, Ontario

* Mark M. Tanz (69)
Chairman, Revenue Properties Company Limited
Amcan Financial Consultants
Bahamas

** Jack D. Winberg (49)
*** *President and C.E.O.,*
The Rockport Group
Toronto, Ontario

* Member of Executive Committee
** Member of Audit Committee
*** Member of Corporate Governance Committee
**** Member of Gaming Compliance Committee

OFFICERS AND SENIOR EMPLOYEES

Paul D. Campbell
President and Chief Executive Officer

Richard E. Fletcher
Vice-President, Finance and Chief Financial Officer

Judie Hart
Vice-President, Leasing

William I. Kennedy
Vice-President, Development and Investment

Mark A. Robinson
Vice-President, Operations

CORPORATE HEAD OFFICE
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325 South Third St., #1-382
Las Vegas, Nevada 89101

Pan Pacific Retail Properties, Inc.
1631-B South Melrose Drive
Vista, California 92803

Phone: (760) 727-1002
Facsimile: (760) 727-1430

Share Registrar and Transfer Agent
Computershare Investor Services Inc.
Toronto, Ontario

Debenture Registrar and Transfer Agent
CIBC Mellon Trust
Toronto, Ontario

Share Listings
Common Shares
The Toronto Stock Exchange (RPC)

Debentures
The Toronto Stock Exchange:
7.5% Convertible Debentures (RPC.DB)
6% U.S. Convertible Debentures (RPC.DB.U)
7% Convertible Debentures (RPC.DB.A)

Credit Ratings

	DBRS	CBRS
RPC.DB	BB (high)	B+(low)
RPC.DB.U	BB (high)	B+(low)
RPC.DB.A	BB (high)	B (high)

Form 20-F
The Company files its Annual Report with the Securities and Exchange Commission. The report may be obtained by written request to the Company at its head office.

ANNUAL MEETING
Thursday, May 17, 2001, 4:00 p.m.
Toronto Stock Exchange Conference Centre
Exchange Tower, 130 King Street West
Toronto, Ontario

Auditors
KPMG LLP

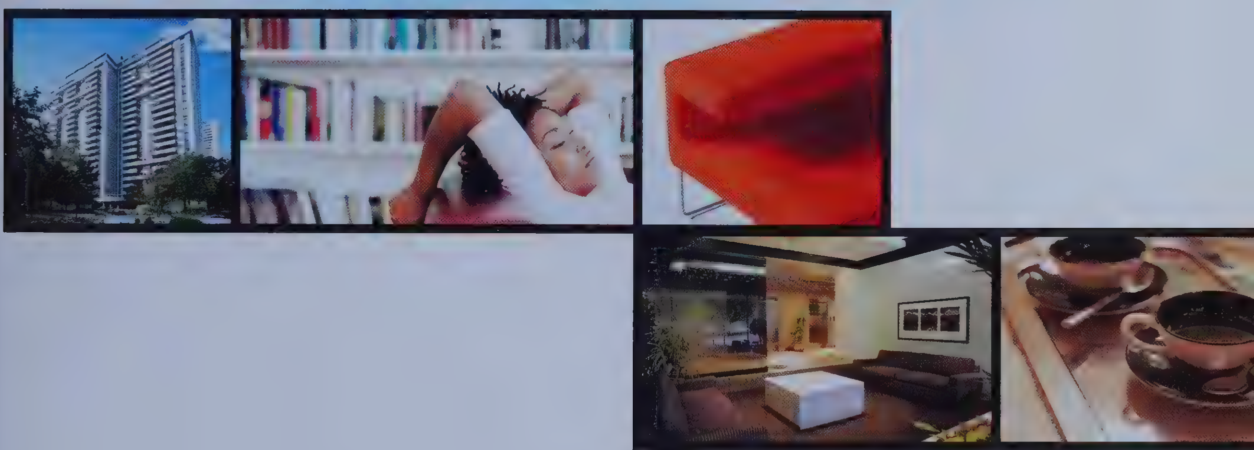
SHAREHOLDER ENQUIRIES
By telephone at (416) 963-8100,
in writing to the Company at its head office
or by e-mail at: info@revprop.com

Design by: Bryan Mills Group
Printed in Canada

ResREIT

RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST

ANNUAL REPORT 2000



ResREIT OFFERS INVESTORS SIGNIFICANT RETURNS THROUGH PREDICTABLE MONTHLY DISTRIBUTIONS AND THE INHERENT GROWTH POTENTIAL OF CANADA'S URBAN APARTMENT MARKET.

PROFILE

ResREIT is Canada's largest residential real estate investment trust offering investors significant returns through stable, tax-efficient monthly distributions and the inherent growth potential of Canada's apartment market. ResREIT has a nation-wide portfolio of properties comprised of 9,111 residential suites, with a core focus on providing quality residential living in high-demand urban neighbourhoods. ResREIT units trade on the Toronto Stock Exchange under the symbol REE.UN.

CONTENTS

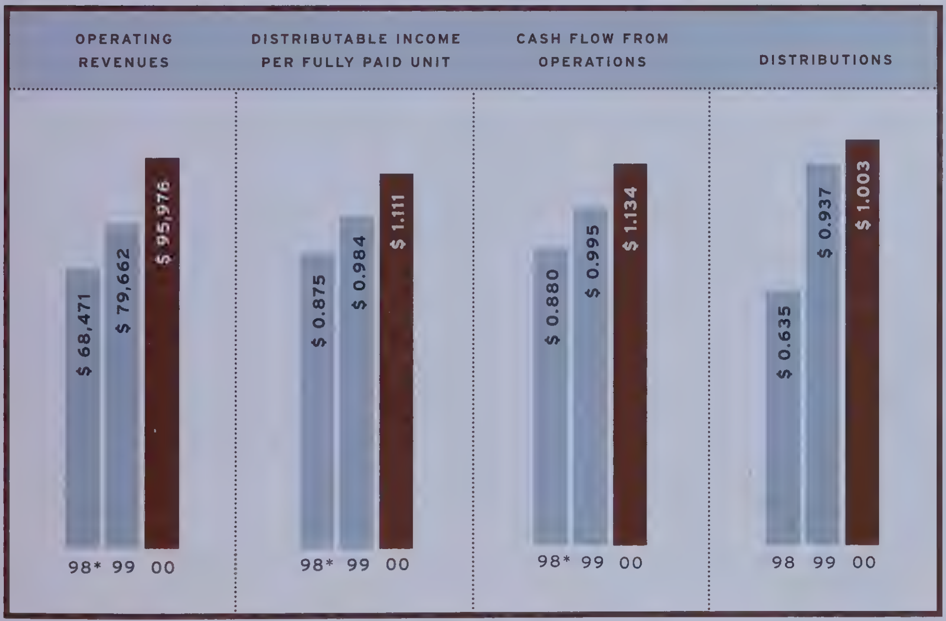
FINANCIAL PERFORMANCE

(in thousands of dollars except per-unit amounts)

OPERATING PERFORMANCE	2000	1999	% GAIN
Property rental income	95,976	79,662	20.5
Property net operating income	48,937	40,096	22.0
Net earnings	14,944	13,786	8.4
Distributable income [1]	24,323	21,312	14.1
Distributable income per unit [2]	$ 1.111	$ 0.984	12.9

BALANCE SHEET (as at December 31)	2000	1999
Gross book value of property assets, beginning of year	488,529	405,045
Acquisitions	49,803	75,971
Capital expenditures	8,834	7,513
Gross book value of property assets, end of year	547,166	488,529
Mortgage debt and bank loan payable	330,769	284,008
Loan-to-gross-property book value	60.5%	58.1%

NOTES [1] FULLY PAID (instalment interest expense added back in 1999)
[2] WEIGHTED NUMBER OF UNITS = 21,901,163 (1999 - 21,654,311)



*ANNUALIZED

GOALS

ACHIEVED (OR EXCEEDED) IN 2000

- Provided a total return to unitholders of 25.1%
- Invested $8.8 million to create value in previously under-performing properties
- Accretively acquired 860 apartment units for a total of $49.8 million
- Increased revenue by 20.5% to a record $96.0 million
- Earned additional cash flow through a cable contract with Rogers Communications
- Grew distributable income to $1.11 per unit, up 12.9%
- Reduced the payout ratio to 88% of cash flow
- Increased monthly distributions to 8.5 cents per unit, an increase of 3% (annual running rate is now $1.02 per unit)

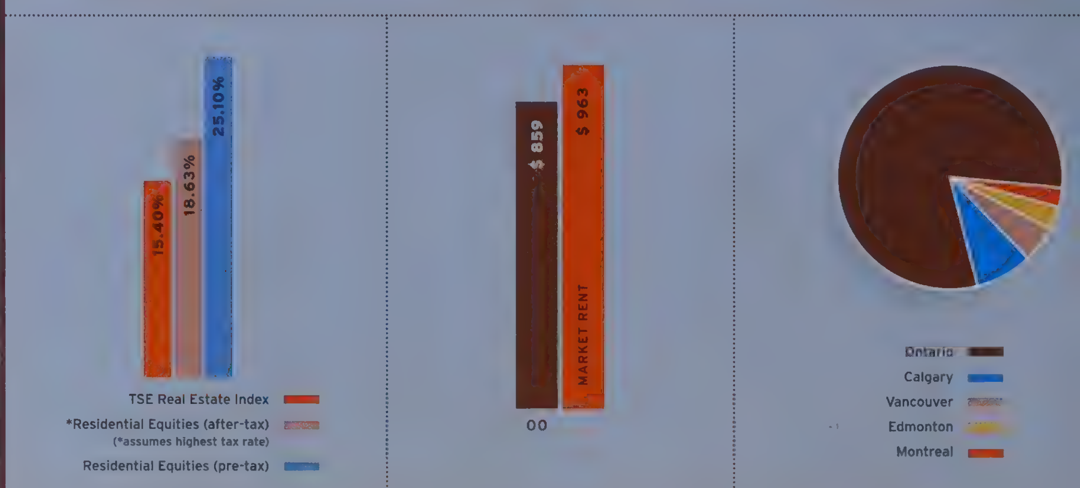
THE FUTURE

- Continue to provide stable returns, with growth potential, fueled by the market rental gap
- Invest $14 million internally over the next two years to meet demand for upgraded properties
- Acquire another 1,000 units in well-located buildings that offer upside potential
- Monetize certain properties that are no longer considered core, but only at attractive disposition prices
- Continue to mine our client base to provide ancillary services and technologies
- Create a Distribution Reinvestment Plan allowing investors who do not require income to compound growth
- Fully explore the concept of internalizing REIT management, keeping the interests of unitholders at the forefront

A YEAR OF OUTPERFORMANCE (RETURN COMPARATIVES)

STRONG INTERNAL GROWTH (ACTUAL VERSUS MARKET RENT)

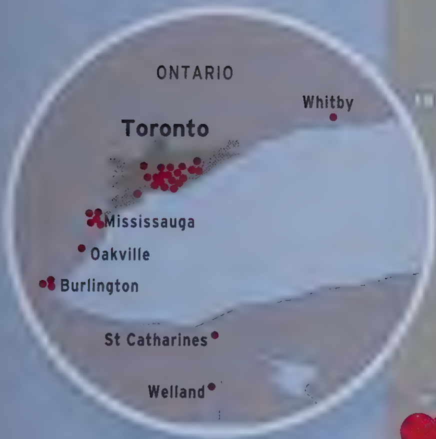
GEOGRAPHIC DISTRIBUTION OF SUITES



78%

OF SUITES ARE IN THE GREATER TORONTO AREA

36% OF SUITES ARE NEAR TORONTO'S SUBWAY LINES



ResREIT benefits from high demand and limited new supply – as well as relaxed rent control in Ontario. It now makes business sense to upgrade apartment buildings to meet the demand for higher-quality rental suites in attractive urban neighbourhoods – and receive market rents in return.

SUBWAY LINE

ResREIT PROPERTIES

TORONTO DOWNTOWN CORE

MESSAGE TO UNITHOLDERS

In the face of unstable and generally declining equity markets around the world, Residential Equities REIT spent 2000 continuing to invest in tangible assets creating genuine value for investors. We have identified a significant growth niche in the age-old marketplace of residential properties, as more and more "could be" homeowners gravitate to quality rental living in attractive urban locations.

ResREIT has delivered another year of significant returns to our investors, fueled by active portfolio management and the inherent growth in Canada's urban apartment market. We have met or exceeded our stated goals for 2000 on virtually all fronts, in part, due to the hard work, expertise and commitment of our team, but we must acknowledge that – above all – these results are a reflection of ResREIT's strong position in a business with exceptional fundamentals.

In the year 2000:

- revenue increased 20.5% to a record $96.0 million;
- same-store revenue was up 5.8%;
- an increased focus on operating efficiencies allowed same-store revenue growth to flow through to the bottom line, resulting in an 8.0% increase to property net operating income;
- distributable income per unit rose 12.9% to $1.11;
- cash flow per unit was up 14.0% to $1.13;
- ResREIT's payout ratio was reduced to 88% of cash flow from operations; and
- monthly distributions to unitholders were increased to 8.5 cents per unit, with a running rate of $1.02 per unit per year.

With our strong results acknowledged by the capital markets, ResREIT provided a total return for the year of 25.1%, following a 20.1% total return in 1999. We're pleased to have delivered on our commitment and, as you will see throughout this report, the future looks equally promising.

DINO CHIESA
PRESIDENT & CEO

25 BAY MILLS BOULEVARD

STABILITY

Our strategy has allowed us to be selective in terms of markets and individual properties. As a result, we have created a portfolio that returns to us precisely what our investors are looking for – stable, predictable, tax-efficient income with limited downside and the potential for capital appreciation.

While we enjoy geographic diversity from coast-to-coast, the Greater Toronto Area (GTA) provides the greatest opportunity and we have weighted our portfolio accordingly with 78% of our apartment suites in the GTA. In the following pages, there is more detailed information on the stability of this market, but suffice it to say that, with such strong fundamentals, ResREIT is positioned to prosper regardless of the overall economy.

ResREIT is financially strong, and we have the ability to fund future acquisitions of $100 million without raising new equity. That said, if our loan-to-book value rises beyond our preferred level, it is possible that we would consider raising new equity in 2001.

To further strengthen our balance sheet in the past year, we forward fixed $45 million of debt that was due to mature in 2001 for ten-year terms to take advantage of attractive interest rates and reduce our short-term exposure. We maintained a very conservative loan-to-gross-property book value of about 60%.

GROWTH

To optimize inherent growth within the portfolio, ResREIT invested $8.8 million in selected properties to enhance the structure and aesthetics of the buildings – repositioning them to take advantage of the demand for upscale, urban apartments. Our residents welcome these improvements and are willing to pay fair rent as a result.

Currently, ResREIT's average apartment rent is $859 per month – however, current market value for that same apartment is close to $1,000 per month.

ResREIT in the midterm will realize substantial increases in net operating revenues and cash flow per unit. This internal growth is what distinguishes us from other REITs and real estate companies.

Enhanced cost management has been a key contributor to ResREIT's growth in the past year, as our property managers continually seek opportunities to be more efficient and take advantage of economies of scale. Looking ahead, as the backlog in repairs and upgrades continues to stabilize, we will see even more revenue growth travel through to the bottom line.

During the year, we continued to expand our critical mass, acquiring 860 apartment units for a total of $49.8 million. Total gross property assets rose to $547 million and total debt to $331 million. We will continue to grow the portfolio through accretive acquisitions in 2001, maintaining our track record of prudence and selectivity.

We have also identified a few properties in less attractive markets that we now consider to be non-core. We will consider monetizing these assets over time, but only when the disposition price is attractive to ResREIT.

In short, the growth drivers for ResREIT are intrinsic and achievable.

Our primary focus is to realize this potential, but we are also exploring supplementary growth initiatives that can create additional value in the portfolio. An opportunity exists to mine our client base to provide high demand services and technologies, improving the quality of the tenant experience – and creating new revenue streams.

In 2000, we earned additional cash flow with the fees generated from a cable contract with Rogers Communications, the first of a number of service initiatives we are exploring to increase unitholder value and enhance living quality for residents.

THE FUTURE

Going forward, we will continue to execute our conservative strategy to ensure stability and growth. We have a high quality portfolio of well-located apartments – properties with significant upside potential that will be realized and passed on to our unitholders in the coming months and years.

Our management team has delivered these results through a prudent use of capital, a commitment to quality and by building a leadership position in a market niche with excellent fundamentals.

Our plans for 2001 include getting to know our resident base even better. We have already conducted several surveys to determine the demand for services, technology, loyalty programs and other potential growth initiatives. We are becoming the landlord of choice for those seeking an upscale, urban lifestyle – and by continuing to know our residents better, we can further strengthen this bond and our reputation.

Our Board of Trustees has approved the creation of a distribution reinvestment plan, which will be available to investors by the middle of 2001. The Board and REIT advisors are working together towards the internalization of REIT management in a fashion that is fair and accretive to ResREIT unitholders.

I would like to take this opportunity to thank and commend our Board of Trustees for their continued guidance and support, our management team for its talent and hard work and our property manager and its staff for excellence in client service.

ResREIT is about quality. From our properties to our people to our accounting practices to our stable, predictable earnings growth, ResREIT is solely focused on providing quality living for our residents and quality investment returns to our unitholders. We look forward to building on this track record in 2001 and beyond.

Dino Chiesa
PRESIDENT & CEO

MARKET OVERVIEW

RESPONDING TO EXCEPTIONAL FUNDAMENTALS

ResREIT is unique – and in our opinion stronger – because of our decision to remain completely focused on one niche in the Canadian residential apartment market: quality, urban high-rises. Our sole commitment to this niche has two major benefits: we know the market extremely well, and our unitholders have total clarity in their investment.

Selecting this niche for ResREIT was in response to very attractive market fundamentals. In Canada's urban centres, particularly Toronto, there has been a major shift in the demand for upscale, urban lifestyles that offer access to amenities (location), flexibility and hassle-free living (rental apartments) and ultimately a home that the tenant can be proud of (quality and service).

Contributing forces to this trend include the aging population as more "empty nesters" are attracted to the vibrancy and culture of downtown living. The strength in Canada's economy over the past few years has led to job and population growth in major urban centres. And, as the world gets smaller, fewer people are rooting themselves in one city or even one country, which is creating a further demand for the flexibility of rental living. In short, there is a growing demand among a high-disposable-income-demographic to be tenants by choice in neighborhoods of choice.

ResREIT has responded by taking advantage of a highly fragmented market and the relaxation of rent controls in Ontario. In mid-1998, the Province of Ontario introduced the Tenant Protection Act (TPA), which included the introduction of vacancy decontrol. After almost a quarter century of rent control, landlords were able to charge market rents on vacated units and pass through deferred capital expenditures to tenants, thereby creating an incentive to raise maintenance standards and upgrade properties that were vastly neglected during the rent-control regime. However, most landlords have not had access to the capital required to take advantage of this opportunity. ResREIT can and has.

REIT TAX BENEFITS

REITs, although equity vehicles, provide significant after-tax advantages for investors. In ResREIT's case, 80% of the distribution for 2000 has been deferred until the unitholder sells his/her units. At that time, the deferred gain is taxed at capital gains rates, which are considerably lower than income tax rates.

Through accretive acquisitions, professional management and access to the capital required, ResREIT has been successfully implementing a strategy of purchasing well-located buildings, investing in renovations and repositioning the properties to meet the demand.

STABILITY OF FUNDAMENTALS

In the past 15 years, Toronto's vacancy rate has never exceeded 2% (throughout ResREIT's portfolio, average vacancies have never been higher than 1.5%). In that time, rents for one-bedroom apartments have grown 4% in Toronto (2.5% nationally), compounded annually – with no down years. As an investment, this market has proven to offer minimal exposure to the business cycle as urban residential rental properties provide predictable, stable cash flows – an ideal fit for the REIT structure *(see below)*.

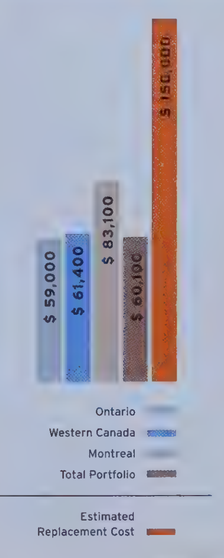
Regarding potential new supply, there is still a gap between current market rents and the economic replacement rents that would be needed to justify new construction. In other words, it's cheaper to buy existing apartments than to build, making the addition of new supply not economically viable – a high barrier to entry.

THE FUTURE

There is an attractive imbalance to the fundamentals of this market because, while the downside is limited, the inherent upside is significant. ResREIT has committed to investing $25 million over its first five years of operation to reverse the effects of rent control in its Ontario properties and optimize the revenue potential of the portfolio. As we enter 2001, our rental rates are still significantly below market rates, and with a 26% turnover in Ontario, we expect to benefit from this inherent growth for many years to come.

While ResREIT has become one of Canada's largest apartment owners, we still own less than 0.5% of the total multi-family units in the country, illustrating the fragmented nature of our market – and the opportunity for future growth.

BOOK VALUE VERSUS REPLACEMENT COST PER SUITE



APARTMENTS – THE PERFECT REIT

Given the much greater stability of rents and occupancy versus other real estate categories, residential apartments represent the best possible marketplace for REIT investors. This is particularly true in the upscale, urban niche on which ResREIT is focused. 36% of our portfolio is within walking distance to Toronto's subway lines, locations that are in demand regardless of the economy. This means predictable, stable cash flows – tremendous stability supporting inherent growth potential that will drive down payout ratios and allow the apartment REIT to be self-sustaining for many years to come.

APARTMENT PROFILES

A CLOSER LOOK AT SOME OF OUR PROMINENT ASSETS

Demographic shifts, strong economies and a renaissance in Canada's downtown cores have created a considerable imbalance in the supply and demand for quality residential rental units in attractive urban neighbourhoods.

With replacement costs far exceeding the price to purchase existing apartment buildings and few viable construction locations in dense urban neighborhoods, renovation and repositioning of existing properties is the only feasible way to meet this growing demand.

Add to that the end of 23 years of rent control in the Province of Ontario, and there exist many opportunities to achieve substantial return on investment on well-located, urban apartments, such as those within ResREIT's portfolio.

Changes brought into effect in 1998 allow Ontario landlords to pass on a portion of renovation costs to existing tenants. When vacancies occur, landlords can increase existing rents to market levels - a key growth driver as demand has increased for higher-quality units among tenants willing to pay more rent than the units were previously yielding, provided they get fair value.

ResREIT has been strategic in its focus on the demand for quality properties in attractive urban locations - and selective in its acquisitions, creating a portfolio that returns predictable, high-quality income with limited downside and innate growth potential.

The three properties profiled are representative of ResREIT's portfolio and demonstrate the enormous upside potential of revenue growth and, consequently, operating income growth.

With apartment-suite turnover continuing at the overall rate of 30% per annum (26% in Ontario), it will take another three to five years for these properties to achieve market rents and reach their full potential.

77 HUNTLEY STREET

77 Huntley Street, located within walking distance of Toronto's renowned Yonge and Bloor area, is part of the Greenwin Square complex – residential, office and retail mall, which provides residents with direct access to shops, restaurants and other amenities.

ResREIT acquired this well-located high-rise apartment building with a plan to quickly enhance resident and unitholder value. During the past three years, we invested $1.8 million in extensive renovations, including repainting and recarpeting the lobby and common areas, as well as installing new tiles, wallpaper and mirrors in the corridors. We also refurbished the sauna and pool areas, fitted all suites with new appliances, converted the domestic hot water to natural gas and upgraded the security system with technological features including state-of-the-art video surveillance. In addition, we spent over $300,000 renovating 30-year-old elevators to make them faster and more efficient. As a result of the significant uplift to the building, net operating income has increased 35% since 1998 and its value has nearly doubled.

From left to right: New paint and carpet in common areas; faster, more efficient elevators; direct access to shops and amenities; refurbished sauna and pool.

77 HUNTLEY STREET, TORONTO	SQUARE FOOTAGE (PLUS 23,387 RETAIL)	289,720
ACQUIRED IN 1998	AVERAGE MONTHLY RENT/SUITE, PRE-ACQUISITION	$ 622
561 SUITES	AVERAGE MONTHLY RENT/SUITE, YEAR-END	$ 775
	CURRENT COMPARABLE MARKET MONTHLY RENT	$ 1,030

100 WELLESLEY STREET EAST

From left to right: Spacious, contemporary lobby; brighter, upgraded corridor; structurally enhanced balconies and a repainted exterior

ResREIT's stringent acquisition process involves a thorough inspection of each potential asset to evaluate quality, strength of location, ongoing capital requirements, portfolio synergies and the potential for enhancement in order to capture increased rents. 100 Wellesley Street East satisfied the criteria and was purchased in August 1999.

Located in the heart of downtown Toronto, this property had average rental rates of $839 and a vacancy rate of 1% at the time of acquisition. ResREIT is now renovating and repositioning the property, from refurbishing the corridors and lobby to converting the domestic hot water to gas from hydro, structurally repairing the balconies and repainting the exterior of the building. These improvements contributed to increased rental revenue of 6% from 1999 to 2000.

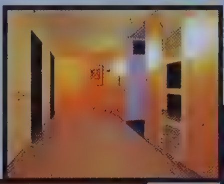
Looking ahead, we are refurbishing the pool area and have commenced construction of seven ground-floor units, which will produce a 12% return once completed. We are also constructing four new units on the penthouse floor, adding a total of eleven new suites to this 413-unit building.

100 WELLESLEY STREET EAST, TORONTO	SQUARE FOOTAGE	258,340
ACQUIRED IN 1999	AVERAGE MONTHLY RENT/SUITE, PRE-ACQUISITION	$ 839
413 SUITES	AVERAGE MONTHLY RENT/SUITE, YEAR-END	$ 937
	CURRENT COMPARABLE MARKET MONTHLY RENT	$ 1,101

1055 BLOOR STREET EAST

1055 Bloor Street East is an 18-storey high-rise ideally suited for those who want to live outside of the city centre, but remain close enough to commute to the office and take advantage of all that downtown Toronto has to offer.

Since acquiring the property in 1998, ResREIT has invested approximately $868,000 to enhance the lobby, corridors, boilers and security system, as well as replace appliances within the suites. The indoor swimming pool, tennis court, sauna and exercise room are scheduled to be renovated in 2001. Rents at 1055 Bloor are currently 5% below market value, indicating future upside potential, particularly once all renovations have been completed.



From left to right: New lobby makes for a comfortable meeting place; totally refurbished common area; 18-storey high-rise includes an indoor swimming pool, tennis court and exercise facility.

1055 BLOOR STREET EAST, MISSISSAUGA	SQUARE FOOTAGE	267,155
ACQUIRED IN 1998	AVERAGE MONTHLY RENT/SUITE, PRE-ACQUISITION	$ 860
323 SUITES	AVERAGE MONTHLY RENT/SUITE, YEAR-END	$ 949
	CURRENT COMPARABLE MARKET MONTHLY RENT	$ 1,001

ACQUISITION STRATEGY

An "in the trenches" look at how we source, investigate and negotiate accretive acquisition opportunities.

There are four characteristics that define our approach to acquisitions and differentiate ResREIT from our competitors.

1 **FOCUS** We continually study all markets in Canada and then focus on the best, which, in our view, are the attractive urban neighbourhoods in cities like Toronto and Calgary. Using an extensive database, our acquisition team tracks and analyzes every high-rise apartment-building transaction in these core markets. This data puts us in a strong position to identify distinctive properties that can be upgraded and repositioned to achieve untapped upside.

2 **DISCIPLINE** ResREIT's acquisition strategy is underpinned by discipline. From our market research through due diligence and closing, we never lose sight of our goal: to make accretive acquisitions that are in keeping with our existing portfolio and contribute to long-term stability and predictable cash flow. By nature, we are ambitious and opportunistic, so our strict disciplines ensure a consistent, conservative approach.

3 **SELECTIVITY** Even as the market gets thinner and more competitive, we remain selective. ResREIT seeks properties that are distinctive, offering untapped upside in terms of location, suite layouts, under-utilized common space or many other potential features that represent underlying value. As part of our extensive due diligence efforts, we consider and get to know the community and assess demand for improvements and a willingness to absorb market rents.

4 **RELATIONSHIPS** ResREIT has built a reputation as a smart buyer, conservative and fair. We place a high value on relationships with vendors, brokers, appraisers, property tax consultants, legal counsel and professional engineers. They all contribute to the success of a transaction, and they are a great information resource in terms of identifying and then researching acquisition opportunities. The intangible value of these relationships has been tremendous in building the excellent portfolio we have today – a reputation that will continue to benefit our team in the future.

"We are disciplined buyers, focused on outperforming the apartment marketplace on a risk-adjusted basis."

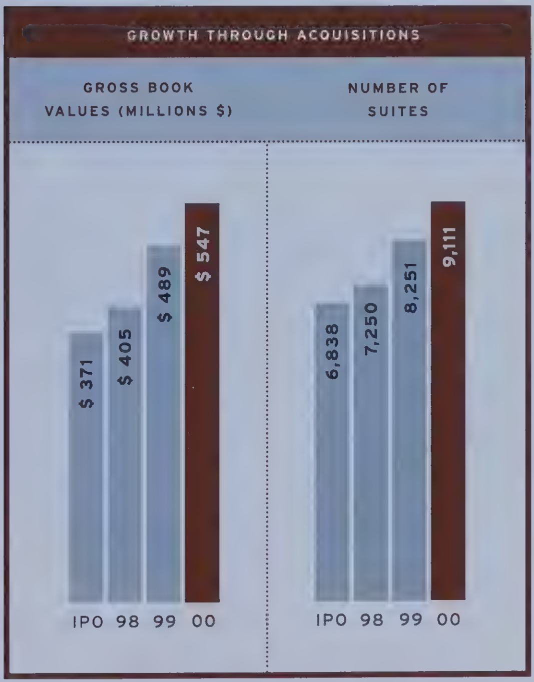
JASON LESTER
VICE PRESIDENT, ACQUISITIONS

THE INVESTMENT COMMITTEE

An integral component of ResREIT's acquisition process is the Investment Committee, those Trustees that make recommendations with respect to new acquisitions. They are experienced, with a thorough knowledge of the marketplace and the ability to move quickly to take advantage of an opportunity – key attributes in a competitive market. The Investment Committee brings objectivity to an often intense process, and, most important, they ensure that every transaction has the potential to create additional value for unitholders.

LOOKING AHEAD

With an external growth rate of more than 1,000 apartment suites per year, our strategy and acquisition guidelines have been tested – and proven successful – many times over. By the end of 2000, the portfolio grew to 9,111 suites, acquisitions through which ResREIT has created value and passed those returns on to investors. Looking ahead, while fewer attractive opportunities may exist in the market today, we still expect steady external growth in 2001 in the area of another 1,000 suites.



ASSET PORTFOLIO

	Property	Year Built	Number of Suites	Turnover since Jan. 1, 2000	Average Rent Dec. 2000	Occupancy Rate Dec. 31. 2000
					$ PER MONTH	%
ONTARIO	33 Davisville Avenue, Toronto	1973	266	71	810	99.62
	111 Davisville Avenue, Toronto	1970	370	77	840	99.61
	77 Huntley Street, Toronto	1973	561	133	775	99.92
	88 Isabella Street, Toronto	1968	82	37	963	100.00
	921, 923, 925 St. Clair Avenue West, Toronto	1955	71	23	642	97.18
	500 Murray Ross Parkway, Toronto	1978	390	112	916	99.74
	10 San Romanoway, Toronto	1977	428	95	903	97.01
	1 and 23 Oriole Road, Toronto	1954/55	127	31	943	100.00
	411 Duplex Avenue, Toronto	1974	455	114	898	99.78
	33 Orchardview Boulevard, Toronto	1976	326	50	923	99.69
	1004 Lawrence Avenue East, Toronto	1966	65	20	834	100.00
	236 Dixon Road, Etobicoke	1963	123	15	1,091	98.37
	1055 Bloor Street East, Mississauga	1971	323	59	949	100.00
	2333 Truscott Drive, Mississauga	1974	198	52	943	98.83
	2345 Truscott Drive, Mississauga	1968	72	22	877	97.22
	2360 Bonner Road, Mississauga	1968	212	60	906	99.58
	1425 Bodmin Road, Mississauga	1967	118	35	926	98.31
	25 Bay Mills Boulevard, Toronto	1974	281	55	983	99.64
	100, 101, 200, 201 White Oaks Court, Whitby	1978/79	704	263	858	96.81
	5200 Lakeshore Boulevard, Burlington	1966	72	28	921	100.00
	7 and 9 Roanoke Road, Toronto	1963	226	46	812	98.92
	56-88 Cassandra Boulevard, Toronto	1965	160	54	1,160	99.37
	20 Shallmar Boulevard, Toronto	1963	155	28	918	98.06
	2515 Bathurst Street, Toronto	1955	115	20	825	98.03
	124 Broadway Avenue, Toronto	1956	86	15	747	99.48
	100 Wellesley Street East, Toronto	1970	413	95	937	99.52
	6 John Street, Oakville	1978	75	20	1,308	98.67
	221 Glenridge Avenue, St. Catharines	Late 1970s	136	44	677	97.06
	100 Lancaster Avenue, Welland	1979	112	47	655	99.11
	511 Guelph Line, Burlington	1964	83	27	791	97.59
	33 Eastmount Avenue, Toronto	1965	211	28	864	98.58
	505 Locust Street, Burlington	1975	118	9	891	91.99
	30 Livonia Place, Toronto	1979	200	16	843	96.51
ALBERTA	6706 Elbow Drive S.W., Calgary	1971	272	119	730	97.29
	924-7th Avenue S.W., Calgary	1969	154	83	731	97.60
	8510-111th Street, Edmonton	1965	310	174	608	99.90
	9100 Bonaventure Drive S.E., Calgary	1982	317	161	840	98.43
BRITISH COLUMBIA	1959-1999 Marine Drive, North Vancouver	1975	473	180	735	98.41
QUEBEC	55 Laframboise, St. Laurent	1990	143	40	679	100.00
	321 Lanthier Avenue, Pointe-Claire	1978	108	42	1,083	100.00
	Total		9,111	2,600	859	98.73

111 DAVISVILLE AVENUE

GOVERNANCE AND BOARD OF TRUSTEES

The success for Residential Equities REIT can be credited to identifying a lifestyle need – and effectively responding to it. We made the strategic decision to focus on a market niche of upwardly mobile, professional, urban dwellers who want to live close to transportation in core city areas – and we have created a living experience that matches their lifestyle. Through the execution of this strategy, ResREIT has become a premier provider of quality living in Canada's major cities, particularly Toronto.

Looking ahead, internal growth is key, as ResREIT continues to deliver on the lifestyle demands of our target market: better buildings, improved facilities and expanded services. We will continue to acquire new properties, but we will not vary from our prudent and conservative acquisition guidelines merely to grow the size of our portfolio.

ResREIT has a strong Board of Trustees committed to representing the interests of unitholders and supervising our operations under the direction of our management team. The Board has three committees, the Investment Committee, the Compensation and Governance Committee and the Audit Committee that meet regularly during the year.

Of the nine Board members, five are independent with particular responsibilities when it comes to reviewing acquisitions, policies, audits, and the potential internalization of management. In every case, all Trustees work closely together to serve the interests of all unitholders.

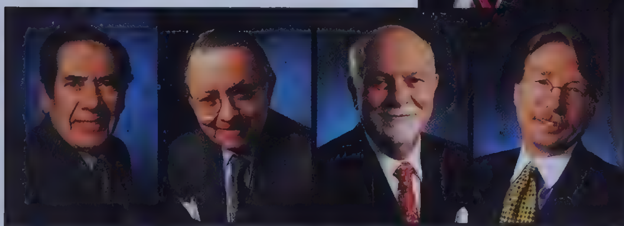
We are well aware of the industry trend toward internalization of REIT management. The Board has been reviewing the concept for some time, discussing it with outside advisors and with our management team. It is not a simple process, as we must weigh the benefits that would flow from internalization against its costs. At the printing of this report, we are actively working toward a transaction that is attractive and accretive for all unitholders.

I would like to thank our Trustees for contributing a high degree of expertise on three fronts: real estate, financing and governance. It is an active Board, that is unified by the common interest of building long-term unitholder value, and that constantly measures individual transactions and policies against its common interest.

I would also like to thank Dino Chiesa and his management team for delivering on their promises. Dino's activism, long-term view and constant drive to keep costs down and augment revenues are key components of ResREIT's success to date. On behalf of all stakeholders, we look forward to an even brighter future for ResREIT, its residents and investors.

Robert D. Brown
CHAIR OF THE BOARD

- • Member of the Audit Committee
- ■ Member of the Compensation and Governance Committee
- * Member of the Investment Committee
- ▲ Member of the Special Committee



Robert D. Brown, Michael J. Cooper, John H. Daniels, Wanda Dorosz, Ned Goodman

Abraham J. Green, Edwin F. Hawken, Albert J. Latner, Graham S. Rennie

ROBERT D. BROWN, FCA • ■ * ▲
Chair
Mr. Brown has just completed a term as the Clifford Clark Visiting Economist, providing senior policy advice to the Canadian Department of Finance and its Minister. He is also a director of the Institute of Corporate Directors and a corporate consultant. He is a past chair and CEO of Price Waterhouse, now PricewaterhouseCoopers LLP, and a past chair of C.D. Howe Institute and the Canadian Institute of Chartered Accountants. Mr. Brown was also a member of the Toronto Stock Exchange Committee on Corporate Governance.

MICHAEL J. COOPER *
President and Chief Executive Officer,
Dundee Realty Corporation
As President and Chief Executive Officer of Dundee Realty Corporation since its creation in 1996, Mr. Cooper has led the Company to its position as one of Canada's largest owners, managers and developers of real estate. Prior to joining Dundee Realty, Mr. Cooper was vice-president at Goodman and Company, responsible for investments in real estate and for establishing and co-managing the Dynamic Real Estate Funds.

JOHN H. DANIELS • * ▲
Chairman, The Daniels Corporation
Mr. Daniels was a founder, chairman and CEO of Cadillac Fairview Corporation. He is a director of The Erin Mills Development Corporation, Consolidated H.C.I. Corporation, Anitech Enterprises Inc. and Sterling Financial Corporation.

WANDA DOROSZ ■
Chief Executive Officer and Managing Partner,
Quorum Group of Companies
Ms. Dorosz has more than 25 years' experience in corporate finance, primarily for entrepreneurial entities in Canada and the United States. Outside of the Quorum Group she is also a director on the boards of several organizations, including Investors Group and the University of Toronto.

NED GOODMAN, CFA *
Chairman, President and CEO, Dundee Bancorp Inc.
Mr. Goodman has an established reputation as one of Canada's most successful investment councellors. He has held a variety of directorships of public companies and prestigious organizations.

ABRAHAM J. GREEN
President, Greenwin Property Management Inc.
Mr. Green is one of the three founders of the Greenwin Group. Since 1950, he has maintained an active involvement in all facets of the business, with a focus on the planning, development and building design areas of the business.

EDWIN F. HAWKEN ■ * ▲
Company Director
Mr. Hawken is a company director, serving on the boards of various public and private corporations, as well as not-for-profit organizations.

ALBERT J. LATNER *
Chairman, Greenwin Property Management Inc.,
Dynacare Inc., Shiplake Management Company
As one of the three founders of the Greenwin Group, Mr. Latner continues to oversee the business development, strategic planning and financial growth of the company.

GRAHAM S. RENNIE • * ▲
President and Managing Partner,
Integra Capital Management Corporation
Mr. Rennie founded Integra Capital Management, a Canadian firm providing institutional investment management services to pension funds, endowment funds, corporations and individuals.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Residential Equities Real Estate Investment Trust ("ResREIT") owns interests in multi-unit residential properties located in major urban Canadian centres. At year-end, ResREIT owned freehold or leasehold interests in 47 buildings containing 9,111 rental suites located in five major Canadian cities – 78% of which are located in the Greater Toronto Area.

ResREIT is an unincorporated "closed-end" real estate investment trust governed by the laws of the Province of Ontario and created for the benefit of unitholders pursuant to the Declaration of Trust dated January 28, 1998, as amended.

The following section should be read in conjunction with the audited financial statements and related notes included in this annual report.

ResREIT's stated objectives are:

1) to provide unitholders with stable and growing cash distributions, payable monthly from investments made in a portfolio of residential apartment properties located in Canada;
2) to enhance the value of ResREIT's existing portfolio through the experience of its management team; and
3) to increase unitholder value through our internal growth strategy that includes investment in our buildings through a capital expenditure program and through selective acquisitions.

OVERVIEW

ResREIT commenced operations as a public entity on February 16, 1998, raising gross proceeds of $196.7 million through an initial public offering (IPO) of investment trust units. The units were sold at $10 per unit on an instalment receipt basis with $6 payable as a first instalment and the balance of $4 was paid in full on February 16, 1999.

ResREIT began operations on February 16, 1998 with the acquisition of 6,838 apartment suites and 209,000 square feet of ancillary commercial space. These acquisitions were financed from the proceeds of an initial public offering of 21,637,000 trust units amounting to $216.3 million. ResREIT currently owns 9,111 rental suites and 227,042 square feet of ancillary commercial space and has 22,045,011 trust units outstanding.

"ResREIT delivered an excellent performance in 2000 - evidence of a sound strategy and disciplined execution."

MAURICE KAGAN
CHIEF FINANCIAL OFFICER

ResREIT'S OPERATIONS

The financial information for the year ended December 31, 2000 is presented in accordance with Canadian generally accepted accounting principles applicable to a Real Estate Investment Trust (REIT).

RESULTS OF OPERATIONS

A comparison of actual 2000 to 1999 operating results:

(in thousands of dollars)	Actual 2000	Actual 1999
Operating revenues	95,976	79,662
Property operating costs	47,039	39,566
Property net operating income	48,937	40,096
Percentage of operating revenues	51.0%	50.3%
Mortgage and bank loan interest (net of interest earned)	19,709	14,463
Income from operations before amortization	29,228	25,633
Percentage of operating revenue	30.5%	32.2%

Operating revenues from income-producing properties were $96.0 million for the year, compared to $79.7 million in 1999, a 20.5% increase. The higher revenues were attributed to six new acquisitions, the rising rent levels in Ontario due to the relaxation of rent control and the addition of a new revenue stream from cable contracts. In addition, assignment fee income of $225,000 was earned on the sale of the commercial portion of a 2000 acquisition, 505 Locust Street in Burlington. Property net operating income increased from $40.1 million to $48.9 million, a 22.0% increase. On a same-store basis, revenues in 2000 of $79.6 million amounted to a 5.8% increase over 1999. Same-store net operating costs were controlled so that most of the benefit of this internal growth fell to the bottom line, as property net operating income rose by 8.0%.

OPERATING COSTS

ResREIT's utility costs for 2000 were considerably higher than 1999 due to dramatic increases in gas prices; however, these higher costs were offset by savings in hydro and water costs. ResREIT has 2,723 apartment suites (30% of total suites) heated by hydro, further mitigating the effect of the gas increase. The 22.1% increase in repairs and maintenance over the prior year relates to four properties that required extensive one-time repairs. The majority of these costs relate to in-suite repairs for plumbing, painting/plastering and millwork. It is ResREIT's general policy to expense to "repairs and maintenance" suite renovation costs under $2,000. Site labour wages increased slightly in 2000 to keep pace with wage inflation.

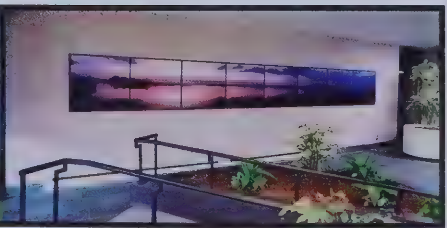
Ontario's new rent-control legislation, the Tenant Protection Act (TPA) has now been in effect since June 1998 and has had the following impact: in our core properties, rents on suite turnover have increased significantly as demand continues to exceed supply. These increases depend upon the location, building quality and level of in-suite renovations in our core market of Toronto.

Under the TPA, we are able to pass through the cost of capital repairs to our residents. In ResREIT's 1999 MD&A, we reported that there were numerous applications to the Tribunal for rental increases from landlords, and this had backlogged the approval process to the point that applications made in December 1998 were not scheduled to be heard until January 2000. Most 1998 applications were approved in 2000, and we are now awaiting further rent review orders for work done in 1999 and 2000, which we expect will be forthcoming in 2001. ResREIT's rental income only reflects TPA increases once the Tribunal has made its orders.

ADVISOR SERVICES

Advisor fees consisted of the annual advisory fee payable to Dundee Greenwin Advisor of $3.1 million inclusive of G.S.T., plus the incentive fee of $400,000, which was triggered during the year as a result of the Trust earning in excess of a 10% return on property equity. Other Trust expenses were $1.1 million for the year, compared to 1999 costs of $1.2 million, a $100,000 decrease.

WHITE OAKS COURT



411 DUPLEX AVENUE

Also during 2000, an investment fee of $400,000 was paid to the Advisor for services provided in acquiring properties. The Board of Trustees is currently assessing the option of internalizing Dundee Greenwin Advisor Limited Partnership into the Trust whereby the services of the Advisor would be acquired by the Trust. In order for the internalization to take place, the net effect must be accretive to the Trust such that the savings on the advisory, incentive, investment and disposition fees paid to the Advisor will increase distributable income to the Trust and ultimately the unitholders.

EARNINGS

Net earnings on a fully paid basis increased from 63.7 cents per unit in 1999 to 68.2 cents per unit in 2000, a 7.1% increase.

(in thousands of dollars except per-unit amounts)	Actual 2000	Actual 1999
Net earnings	14,944	13,786
Add: Interest on instalment loan	-	484
Deduct: Instalment interest income	-	(480)
Net earnings (fully paid in 1999)	14,944	13,790
Weighted average number of units	21,901,163	21,654,311
Net earnings per unit (fully paid in 1999)	$0.682	$0.637
Percentage of operating revenue	15.6%	17.3%

INTEREST

Mortgage interest rose from $14.6 million in 1999 to $18.9 million in 2000, a 29.5% increase. This increase in interest costs is due largely to the acquisition of new properties financed through new or assumed mortgages and borrowings against other properties for the equity component of some 1999 and 2000 acquisitions. The weighted average interest rate on mortgages is 6.51%, with floating debt having a cost of between 6.55% and 7.75% during the year.

DISTRIBUTABLE INCOME AND CASH FLOW

Distributable income and cash flow for the year ended December 31, 2000 is calculated as follows:

(in thousands of dollars except per-unit amounts)	Actual 2000	Actual 1999
Net earnings	14,944	13,786
Add: Amortization (excluding deferred financing)	9,379	7,522
Deduct: Instalment interest income	-	(480)
Add: Interest on Instalment loan	-	484
Distributable income (fully paid in 1999)	24,323	21,312
Distributable income per unit (fully paid in 1999)	$ 1.111	$ 0.984
Add: Amortization of deferred financing fees	518	230
Cash flow from operations (CFFO)	24,841	21,542
Cash flow from operations per unit	$ 1.134	$ 0.995

In 2000, ResREIT distributed $1.0025 per unit to unitholders, indicating a distributable income payout ratio of 90% and a cash flow from operations (CFFO) payout ratio of 88%. In 1999, ResREIT distributed $0.937 per unit, the distributable income payout ratio was 95% and CFFO was 94%. Distributable income is calculated by adding back to net earnings amortization costs except on deferred financing costs and leasing costs. CFFO is calculated by adding back to distributable income amortization on deferred financing costs and leasing costs.

It is ResREIT's stated objective to reduce the payout ratio to 85% by 2002 while simultaneously maintaining – or if possible increasing – distributions to unitholders. The Declaration of Trust provides that the Trustees, at their discretion, can reduce distributions to a minimum of 80% of the distributable income in each year to retain cash flow for reinvestment in order to realize the full market rent potential for our existing portfolio. ResREIT's policy is to continually monitor the level of distributions by reference to internal and external risks and benefits.

PAYOUT RATIO FOR YEAR ENDED DECEMBER 31	
1998	100%
1999	95%
2000	90%

INCOME-PRODUCING PROPERTIES AND PREPAID RENTS

During 2000, ResREIT acquired 860 apartment suites consisting of six properties for a total value of $49.8 million.

As part of these acquisitions, ResREIT acquired from a related party 200 suites in a leasehold interest in 30 Livonia Place in Toronto. The purchase price was $9 million with additional closing costs of $800,000 through the assumption of $6.5 million in existing mortgages and issuance of 183,211 units in the Trust in lieu of cash. The balance of 660 suites were acquired by way of the fee simple purchases of five buildings: 221 Glenridge Avenue in St. Catharines, 100 Lancaster Avenue in Welland, 511 Guelph Line in Burlington, 33 Eastmount Avenue in Toronto, and 505 Locust Street in Burlington for purchase prices totaling $38.4 million. These properties' purchase prices and additional closing costs of $1.6 million were financed by assuming $10.3 million in existing mortgages, by refinancing $14.9 million in new mortgages and by drawing on our line of credit to help finance the equity components of two of the properties. Total gross property assets were $547 million at the end of 2000, compared to $489 million at December 31, 1999, an 11.9% increase. The strategic acquisition of these well-located apartment buildings has further strengthened our existing portfolio of properties.

CAPITAL EXPENDITURES

During 2000, ResREIT invested a total of $8.8 million in its existing portfolio, compared to 1999 capital expenditures of $7.5 million. Since inception, ResREIT has invested $25.2 million. Most of these capital investments will generate accretive returns as new legislation allows landlords to pass the cost on to tenants in the form of rent increases. The approval process, however, could take up to 18 months, creating a time lag between the expenditures and the rental increases.

During 2000, capital expenditures were incurred for the following items:

1) structural costs, such as roof and window replacements, restoring balconies, external concrete repair, elevator replacements and boiler replacements;
2) redecorating of lobbies, corridors and elevator interiors and landscaping;
3) full-building replacements of stoves and refrigerators; and
4) suite upgrades where units that were vacated are now being renovated to 2001 standards to achieve rents that compete with the local condominium rental market. In 2000, we capitalized $1.1 million of upgrades to 197 of the 2,600 suites vacated. Costs to renovate the balance of the suites that turned over were expensed. It is ResREIT's general policy to expense any suite renovation cost below $2,000.

Management expects to spend an additional $14 million in 2001 and 2002 and $33 million over the next seven years, or $4 million – $7 million per annum. The implementation of this long-term plan will ensure that our buildings remain in good repair and continue to perform at their current levels. We plan to finance the capital expenditure program over this time frame by gradually decreasing our payout ratio to 80-85%, which will result in retaining cash of approximately $4.5 million per annum in the Trust.

OTHER ASSETS

Cash and short-term investments mostly consist of operating bank account balances. The accounts receivable balance represents normal tenant receivables, which at the end of the year amounted to $1.1 million compared to 1999 receivables of $724,000. The allowance for doubtful debts has increased from $233,000 to $473,000 and is currently less than 0.5% of total revenue.

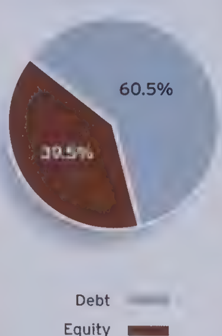
Deferred financing fees relating to mortgage application costs, CMHC fees and legal fees are amortized over the term of each mortgage. Prepaid expenses generally relate to realty taxes that have been prepaid to the mortgagees in accordance with their lending practices and insurance requirements.

MORTGAGES PAYABLE

ResREIT's loan-to-gross-property book value at December 31, 2000 was 60.5% compared to 58.1% one year ago. The Declaration of Trust permits the Trust to have a permanent maximum of 60% and a temporary maximum of 70%, but allows the majority of the Trustees to determine that the maximum shall be based on the appraised market value of real properties of the Trust. Therefore, management will need to either decrease the ratio by selling some assets to reduce the debt, raise additional capital or apply a third-party valuation to utilize the loan-to-market-value option.

Fixed-rate mortgages have increased from $276 million to $308 million, up $32 million. The majority of the increase is related to the acquisition of new properties either by assuming existing mortgages or financing new mortgages, as discussed above. The mortgages bear interest ranging from 5.71% to 7.62% per annum with a weighted average interest rate of 6.51% and a weighted average term to maturity of 6.5 years at year-end. During the year, management forward-fixed $45 million of debt that was scheduled to mature in 2001 at rates ranging from 6.75% to 6.81% for 10-year terms to reduce exposure to debt in 2001 to $29 million. Management continues to seek competitive lenders in the market and is conscientiously monitoring interest-rate fluctuations in order to take advantage of the current low-interest rates.

PROPERTY DEBT-TO-EQUITY RATIO



Mortgage maturities as at December 31, 2000

Year	Thousands of dollars	% of total mortgages
2001	79,484	25.8
2002	27,505	8.9
2003	8,090	2.6
2004	17,181	5.6
2005 and thereafter	175,777	57.1
Total	**308,037**	**100.0**

BANK LOAN PAYABLE

Bank loan payable has increased from $8 million to $23 million, up $15 million. These funds were used mainly to help finance the equity portion of two acquisitions, 505 Locust Street and 33 Eastmount Avenue, and the capital expenditure program as previously discussed. Floating-rate debt now accounts for 6.9% of the Trust's total debt, well within the 10% parameter established by the Declaration of Trust.

UNITHOLDERS' EQUITY

Unitholders' equity at year-end was $188 million compared to $192 million in 1999. During the year the Trust issued 98,800 units from treasury under the unit option plan for total proceeds of $1 million. 183,211 units were issued in lieu of cash to acquire a leasehold interest in 30 Livonia Place at proceeds of $2 million. The Trust also made available up to 1,967,000 unit options to management of the Advisor and Property Manager of which 1,460,000 units were outstanding at the end of the year. These options are exercisable at $10 and $11 per unit, vest 20% per annum at the beginning of each year and expire at the end of year five. Since the Trust units were trading above $10 for substantially all of 2000 and above $11 for the second half of the year, the outstanding options were considered to be "in the money".

The closing sale prices for ResREIT units on the Toronto Stock Exchange are as follows:

Date	$ per unit
March 31, 2000	10.40
June 30, 2000	10.95
September 30, 2000	11.60
December 31, 2000	12.70
January 31, 2001	12.65
February 28, 2001	12.90

During 2001, a distribution reinvestment plan (DRIP) will be implemented whereby unitholders can have their monthly distributions directed to our transfer agent or their brokers to purchase additional Trust units at an effective discount rate of 3.85% of the last 10 days' average price up to the record date. The details of the plan are to be finalized. The DRIP will retain cash in the Trust, which will help alleviate the need to increase borrowings.

RISKS AND UNCERTAINTIES

All real property investments are subject to certain elements of risk. ResREIT has been structured with investment guidelines and operating policies that restrict the nature of its investments and activities to ensure it remains focused on multi-residential apartment investments and maintains its status as a "mutual fund trust".

ResREIT's apartment buildings are subject to the normal operating risks and uncertainties common to the apartment industry, which can impact short-, medium- and long-term performance.

OPERATING RISKS

The primary operating risks of the apartment industry are:

1) the risk of over-supply of competing buildings;
2) lack of rental demand;
3) the age and general condition of the rental housing stock;
4) interest rates;
5) changes in legislation could lower rental growth; and
6) environmental risk.

No new meaningful supply is being offered at competitive prices and at equivalent locations in the medium term. At present, provincial and federal governments are not funding any new multi-unit housing construction and there are no new incentives to create new supply other than through private condominium development.

In our core market of the Greater Toronto Area, no meaningful new supply of rental properties is anticipated in the locations of our buildings. Acquisition costs of existing product remain substantially lower than the costs of new construction in the same location, assuming the land could be assembled for residential purposes in today's urban environment.

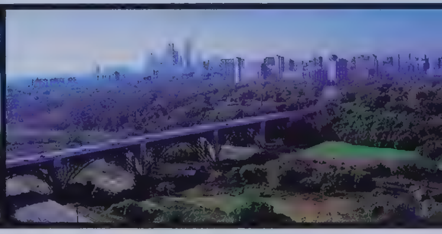
The trends that existed in 1999 continue in 2000. There is still strong rental demand in urban centres, namely, net positive migration, rising disposable income levels for the majority of Canadians and the absolute cost of home ownership, which has increased substantially in 2000. With interest rates falling, there may be more tenants purchasing housing, but we believe that effect to be insignificant relative to the demand for rental housing in urban areas. Specifically, Toronto's current vacancy rate is less than 0.6% and has a 15-year average of 1.5%. ResREIT's portfolio had an occupancy rate of 98.73% at the end of 2000.

ResREIT is specifically addressing the age of its rental stock through its capital expenditure program. In 2000, as in 1999, a portion of the capital expenditure program was allocated to energy conservation features such as new windows, energy systems and roofs as well as to redecorated lobbies and corridors. At the end of 2000, ResREIT had invested in its buildings over 15 years old, on average, over $2,000 per residential suite in capital expenditures, for a total of over $25 million.

Interest costs over the long run represent a non-controllable expense for capital intensive industries such as the apartment industry. However, prudent management of the liability side of the balance sheet such as staggered maturity dates can limit the exposure without sacrificing the growth of the Trust or increasing the overall cost of capital.

Environmental risks primarily relate to apartment buildings built from 1950 to 1979, before current Canadian environmental laws were enacted and the effects of certain hazards were known. While performing due diligence in the acquisition of a building, ResREIT conducts extensive environmental assessments to ensure that all potential environmental issues are identified. The most common hazards come from asbestos insulation surrounding pipes and from underground oil tank leaks. When such a problem exists, either the vendor is required to clean up the contaminant or the clean-up cost is deducted from the purchase price. To further mitigate the financial risks associated with environmental issues, our capital expenditure program includes the cost of removing asbestos insulation while replacing boiler systems and removing storage tanks. ResREIT also carries substantial environmental liability insurance.

88 ISABELLA STREET



VIEW FROM 33 EASTMOUNT AVENUE

OUTLOOK

Our short-to-medium-term outlook remains extremely favourable for this asset class. Vacancy rates remain very low and rental rates will continue to increase to market levels as our apartments turn over.

ResREIT's high-quality portfolio of well-located apartments continues to offer significant upside potential. Our management team has a proven conservative strategy to realize this potential, providing stability and growth for our unitholders – and we are committed to building on our track record of success.

Challenges in 2001 include the current high-cost of gas, however, we expect the Ontario government to allow us to recover these costs from our residents. An economic slowdown in 2001 is not likely to impact ResREIT, as the fundamentals in our markets have held up through all phases of the business cycle. With 36% of our properties located on Toronto subway lines, our buildings are always in demand.

The Trust is in excellent financial shape, our strategy is sound and we have an ever-deepening commitment to create value for our residents and our unitholders.

33 ORCHARDVIEW BOULEVARD

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Residential Equities Real Estate Investment Trust is responsible for the preparation, integrity and fair presentation of the financial statements and all other information contained in the Annual Report.

The accompanying financial statements have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

The Trust maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality. PricewaterhouseCoopers LLP, the independent auditors, have examined the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. The Auditors' Report is set forth herein.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board carries out this responsibility through the Audit Committee. These financial statements have been reviewed and approved by the Board of Trustees and its Audit Committee. The auditors have direct and full access to the Audit Committee.

Dino Chiesa
CHIEF EXECUTIVE OFFICER

Maurice Kagan
CHIEF FINANCIAL OFFICER

AUDITORS' REPORT

TO THE UNITHOLDERS OF RESIDENTIAL EQUITIES REAL ESTATE INVESTMENT TRUST

We have audited the balance sheets of Residential Equities Real Estate Investment Trust ("Residential Equities") as at December 31, 2000 and 1999 and the statements of income and distributable income and cash flow for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of Residential Equities management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Residential Equities as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS

Toronto, Ontario FEBRUARY 2, 2001

BALANCE SHEET

AS AT DECEMBER 31, 2000 AND 1999 (in thousands of dollars)

ASSETS	2000	1999
Income-producing properties (note 3)	$ 366,614	$ 324,543
Prepaid rents (note 4)	158,430	151,264
Cash and short-term investments	1,784	7,403
Accounts receivable	1,990	1,282
Deferred financing costs (note 5)	3,464	3,107
Prepaid expenses	1,866	1,564
	$ 534,148	$ 489,163

LIABILITIES		
Mortgages payable (note 6)	$ 308,037	$ 275,758
Bank loan payable (note 7)	22,732	8,250
Accounts payable and other liabilities	7,709	6,588
Security deposits and last month's rent	7,420	6,365
	345,898	296,961

UNITHOLDERS' EQUITY		
Issued and outstanding - 22,045,011 units (1999 - 21,763,000)		
Unitholders' equity, beginning of year	192,202	197,447
Net earnings for the year	14,944	13,786
Issuance of units (note 8)	3,082	1,264
Distributions to unitholders (note 9)	(21,978)	(20,295)
Unitholders' equity, end of year	188,250	192,202
	$ 534,148	$ 489,163

See accompanying notes to Financial Statements

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES

Robert D. Brown
CHAIR

Edwin F. Hawken
TRUSTEE

STATEMENT OF

INCOME AND DISTRIBUTABLE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(in thousands of dollars except per-unit amounts)

	2000	1999
Operating revenues		
Property rental income	$ 95,976	$ 79,662
Operating expenses		
Realty taxes	15,034	13,052
Operating expenses	28,417	23,737
Property management fees (note 11)	3,588	2,777
	47,039	39,566
Property net operating income	48,937	40,096
Trust expenses		
Advisory fees (note 11)	3,518	2,921
Other expenses	1,094	1,170
Fee income	(225)	-
	4,387	4,091
Earnings before interest and amortization	44,550	36,005
Amortization expense	9,897	7,752
Earnings before interest	34,653	28,253
Interest expense		
Mortgage interest	18,923	14,604
Interest expense	1,063	103
Interest income	(277)	(244)
Interest on instalment loan	-	484
Instalment interest income	-	(480)
	19,709	14,467
Net earnings	14,944	13,786
Add back:		
Amortization expense (excluding amortization of deferred financing)	9,379	7,522
Instalment interest income	-	(480)
Distributable income (note 9)	$ 24,323	$ 20,828
Number of units outstanding (note 8)	21,901,163	21,654,311
Distributable income per instalment receipt unit	n/a	$ 0.962
Basic distributable income per fully paid unit (note 9)	$ 1.111	$ 0.984
Diluted distributable income per fully paid unit (note 9)	$ 1.105	$ 0.980

See accompanying notes to Financial Statements

STATEMENT OF

CASH FLOW

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (in thousands of dollars)

	2000	1999
Cash flows from (used in) operating activities		
Property rental income received	$ 95,510	$ 79,267
Interest received	263	244
Cash payments to suppliers and employees	(50,801)	(43,075)
Interest paid	(19,674)	(14,880)
Cash flows from operating activities	25,298	21,556
Cash flows from (used in) investing activities		
Income-producing property acquisitions	(40,017)	(58,714)
Prepaid rent acquisitions	(7,692)	(8,377)
Capital expenditures	(9,060)	(15,519)
Financing fees	(854)	(2,652)
Decrease in instalment receipts receivable	-	66,748
Cash flows used in investing activities	(57,623)	(18,514)
Cash flows from (used in) financing activities		
Net increase in deposits from residents	1,055	1,214
Increase in bank loan	14,362	8,250
Proceeds of new mortgage financing	42,175	92,947
Mortgage principal repayments	(9,896)	(19,869)
Proceeds from issuance of units	988	1,264
Distributions to unitholders	(21,978)	(20,295)
Decrease in instalment loan payable	-	(61,000)
Cash flows from financing activities	26,706	2,511
Net (decrease) increase in cash and short-term investments	(5,619)	5,553
Cash and short-term investments, beginning of year	7,403	1,850
Cash and short-term investments, end of year	$ 1,784	$ 7,403

See accompanying notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000 (in thousands of dollars except where indicated)

1) ORGANIZATION OF TRUST

Residential Equities Real Estate Investment Trust ("Residential Equities") is a "closed-end" real estate investment trust created for the benefit of the unitholders pursuant to the Declaration of Trust dated January 28, 1998, as amended. On February 16, 1998, Residential Equities completed an initial public offering of units and acquired 33 residential buildings, comprised of 6,838 residential units and 209,042 square feet of commercial space across Canada. At December 31, 2000, Residential Equities' portfolio consisted of 47 buildings, comprising 9,111 units and 227,042 square feet of commercial space.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Residential Equities' financial statements are prepared in conformity with Canadian generally accepted accounting principles. Residential Equities' accounting policies and standards of financial disclosure are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies, of which Residential Equities is a member.

Income-Producing Properties

Income-producing properties are stated at the lower of cost less accumulated amortization and net recoverable amount. Cost of the properties includes all amounts relating to the acquisition and improvement of the properties. Costs associated with upgrading the existing facilities, other than ordinary repairs and maintenance, are capitalized as project improvements. The net recoverable amount represents the undiscounted, estimated future net cash flow expected to be received from the ongoing use of the property plus its residual worth, and is intended to determine recovery of an investment and is not an expression of a property's fair market value.

Amortization of buildings is recorded using a 5% sinking-fund basis to fully amortize the cost of buildings over forty years. Capital improvements are amortized on a straight-line basis over their estimated useful lives, ranging from three to twenty-five years. Equipment is amortized on a straight-line basis over the estimated useful life, ranging from three to twenty years.

Prepaid Rents

Rents prepaid on acquisition of leasehold interests are deferred and amortized on a straight-line basis over the thirty-five year term of the leases. Prepaid rents include all costs relating to the rental of the properties plus all costs

associated with upgrading the existing facilities, other than ordinary repairs and maintenance. These costs are amortized on a straight-line basis over their estimated useful lives, ranging from two to twenty-five years.

Cash and Short-Term Investments

Included in cash on the balance sheet are funds held in trust in the amount of $100 (1999 - $6,736) to be used for capital expenditures. Short-term investments have maturities of three months or less.

Deferred Financing Costs

Financing costs are deferred and amortized on a straight-line basis over the terms of the related financing, ranging from three to ten years.

Deferred Leasing Costs

Leasing costs such as commissions, free rent and other tenant inducements, when incurred, are capitalized and amortized on a straight-line basis over the term of the related leases.

Distributable Income per unit

Distributable income per unit is calculated by dividing the distributable income by the weighted average number of units outstanding for the year. Diluted distributable income per unit reflects the potential dilution that could occur if units were exercised under the unit option plan using the treasury stock method.

Unit Option Plan

Residential Equities has a Unit Option Plan, which is described in Note 8. No compensation expense is recognized for this plan when units or unit options are issued to employees. Any consideration paid by employees on exercise of unit options or purchase of units is credited to unitholders' equity. If units or unit options are repurchased from employees, the excess consideration paid over the carrying amount of the units or unit options cancelled is charged to unitholders' equity.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported year. Actual results could differ from these estimates.

Financial Instruments

Residential Equities' cash and short-term investments, accounts receivable, prepaid expenses, bank loan and accounts payable and other liabilities are carried at cost, which approximates their fair value due to their short-term nature.

3) INCOME-PRODUCING PROPERTIES

	2000		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Land	$ 46,167	$ -	$ 46,167
Buildings	315,211	6,429	308,782
Capital improvements	10,105	1,187	8,918
Suite upgrades	1,135	431	704
Equipment	2,085	264	1,821
Leasing costs	240	33	207
Work-in-progress	15	-	15
	$ 374,958	$ 8,344	$ 366,614

	1999		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Land	$ 40,165	$ -	$ 40,165
Buildings	281,196	3,731	277,465
Capital improvements	5,467	502	4,965
Suite upgrades	656	124	532
Equipment	1,484	122	1,362
Leasing costs	51	12	39
Work-in-progress	15	-	15
	$ 329,034	$ 4,491	$ 324,543

4) PREPAID RENTS

2000

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Leasehold interests	$ 160,638	$ 11,773	$ 148,865
Leasehold improvements	8,939	1,447	7,492
Suite upgrades	1,006	345	661
Equipment	1,578	213	1,365
Work-in-progress	47	-	47
	$ 172,208	$ 13,778	$ 158,430

1999

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Leasehold interests	$ 150,852	$ 7,346	$ 143,506
Leasehold improvements	6,693	679	6,014
Suite upgrades	484	94	390
Equipment	1,420	112	1,308
Work-in-progress	46	-	46
	$ 159,495	$ 8,231	$ 151,264

5) DEFERRED FINANCING COSTS

2000

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Financing fees	$ 4,251	$ 787	$ 3,464

1999

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Financing fees	$ 3,397	$ 290	$ 3,107

6) MORTGAGES PAYABLE

Mortgages payable bear effective interest at rates ranging from 5.71% to 7.62% (weighted average rate of 6.51% as at December 31, 2000; 6.43% as at December 31, 1999) and mature between 2001 and 2011. First and second charges on Residential Equities' interests in real property investments have been pledged as collateral security for the mortgages.

Minimum future principal payments are as follows:

2001	$ 79,484
2002	27,505
2003	8,090
2004	17,181
2005 and thereafter	175,777
	$ 308,037

Subsequent to year-end, Residential Equities raised an additional $6,834 in mortgage financing upon the renewal of four existing mortgages during 2001.

7) BANK LOAN

Residential Equities has a revolving line of credit in the amount of approximately $30,000 for acquisition and operating purposes, generally bearing interest at prime rate plus 0.25% with a maturity date of February 28, 2001. Subsequent to year-end, the facility was increased to $45,000 and extended to February 28, 2002. Second mortgages on four properties and a third mortgage on one property have been pledged as collateral security for the line of credit. The principal amount and any unpaid interest are payable on the maturity date.

At year-end, Residential Equities has utilized $27,140 of its $30,000 line of credit (including letters of credit totalling $4,390).

8) UNITS ISSUED AND OUTSTANDING

The number of units issued and outstanding is as follows:

	UNITS	$
Units from public offering closed February 16, 1998	19,670,000	184,648
Units from over-allotment closed March 17, 1998	1,967,000	18,465
Options exercised in 1999	126,000	1,264
Balance at December 31, 1999	21,763,000	204,377
Units issued on acquisition of a leasehold interest in 2000	183,211	2,094
Options exercised in 2000	98,800	988
Balance at December 31, 2000	22,045,011	207,459

For the purpose of presenting distributable income, the number of units outstanding is calculated on a weighted-average basis.

Under the Unit Option Plan ("Plan"), Residential Equities has granted options to its Trustees, directors, officers and employees, the general partner of the Advisor and the general partner of the Property Manager for up to 1,967,000 units at offering prices of $10 and $11 per unit. Under the Plan, the exercise price of each option equals the market price of Residential Equities' units on the last trading date preceding the date of the grant and each option's maximum term is five years. 20% of the optioned units are exercisable during the year in which they are granted, and the balance of the optioned units is exercisable as to 25% in each of the following four years.

A summary of Residential Equities' unit option activity for the years ended December 31, 2000 and 1999 is presented below:

	2000		1999	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Options outstanding, beginning of year	**1,695,000**	**$ 10.16**	1,370,000	$ 10.00
Options granted	**Nil**		767,000	10.37
Options exercised	**(98,800)**	**10.00**	(126,000)	10.03
Options cancelled	**Nil**		(295,000)	10.07
Options expired	**(136,200)**	**10.01**	(21,000)	10.00
Options outstanding, end of year	**1,460,000**	**$ 10.18**	1,695,000	$ 10.16
Options exercisable, end of year	**763,600**	**$ 10.14**	562,400	$ 10.09

The following table summarizes information on unit options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
EXERCISE PRICES	NUMBER AT DEC 31/00	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER AT DEC 31/00	WEIGHTED-AVERAGE EXERCISE PRICE
	1,198,000	2.40	$ 10.00	658,800	$ 10.00
	262,000	3.47	11.00	104,800	11.00
$10 and $11	1,460,000	2.59	$ 10.18	763,600	$ 10.14

9) DISTRIBUTABLE INCOME

Residential Equities makes distributions to unitholders on a monthly basis on or about the 15th day of each month, other than January and on December 31, in each calendar year. The Declaration of Trust provides that Residential Equities will distribute to unitholders on an annual basis no less than the greater of (a) the income of Residential Equities calculated in accordance with the Income Tax Act, and (b) 80% of the income of Residential Equities calculated in accordance with Canadian generally accepted accounting principles excluding gains and losses from the disposition of real property, imputed interest income on the instalment loan and before any deduction for amortization of income-producing properties and prepaid rents, such amount which is available to be paid by Residential Equities in any year being the "Distributable Income".

Residential Equities distributed approximately 90% of its Distributable Income (1999 – 95%) during the year with a view to reducing the ratio to approximately 88% in 2001.

For the year ended December 31, 2000, Residential Equities distributed $21,978 to its unitholders (1999 - $20,295), comprised as follows:

	2000	1999
Taxable to unitholders as other income	20.20%	12.49%
Tax deferral to be deducted from adjusted cost base of individual unitholders	79.80%	87.51%
	100.00%	100.00%

For the year ended December 31, 2000, Residential Equities made distributions to its unitholders, of which 20.20% is taxable to unitholders as other income, as follows:

MONTH	RECORD DATE	PAYMENT DATE	DISTRIBUTION PER UNIT	TAXABLE PORTION PER UNIT (20.20%)	NON-TAXABLE PORTION PER UNIT (79.80%)
January	February 4	February 15	$ 0.0825	$ 0.01667	$ 0.06583
February	March 3	March 15	0.0825	0.01667	0.06583
March	April 6	April 15	0.0825	0.01667	0.06583
April	May 5	May 15	0.0825	0.01667	0.06583
May	June 5	June 15	0.0825	0.01667	0.06583
June	July 6	July 15	0.0825	0.01667	0.06583
July	August 4	August 15	0.0825	0.01667	0.06583
August	August 31	September 15	0.0850	0.01717	0.06783
September	October 2	October 15	0.0850	0.01717	0.06783
October	October 31	November 15	0.0850	0.01717	0.06783
November	November 30	December 15	0.0850	0.01717	0.06783
December	December 19	December 31	0.0850	0.01717	0.06783
Total distributions paid			$ 1.0025	$ 0.20254	$ 0.79996

The following tables summarize the calculations of basic and diluted distributable income per fully paid unit:

	2000		
	DISTRIBUTABLE INCOME (NUMERATOR)	UNITS (DENOMINATOR)	DISTRIBUTABLE INCOME PER FULLY PAID UNIT
Basic distributable income per fully paid unit			
Distributable income available to unitholders	$ 24,323	21,901,163	$ 1.111
Effect of dilutive securities:			
Options		117,576	
Diluted distributable income per fully paid unit			
Distributable income available to unitholders and assumed conversions	$ 24,323	22,018,739	$ 1.105

Options to purchase 262,000 to 263,000 units at an exercise price of $11 were outstanding during the first half of 2000 but were not included in the computation of diluted distributable income per fully paid unit because the options' exercise price was greater than the average market price of the units. The options, which expire in June 2004, were still outstanding at the end of 2000.

	1999		
	DISTRIBUTABLE INCOME (NUMERATOR)	UNITS (DENOMINATOR)	DISTRIBUTABLE INCOME PER FULLY PAID UNIT
Basic distributable income per fully paid unit			
Distributable income available to unitholders	$ 21,312	21,654,311	$ 0.984
Effect of dilutive securities:			
Options		94,486	
Diluted distributable income per fully paid unit			
Distributable income available to unitholders and assumed conversions	$ 21,312	21,748,797	$ 0.980

Options to purchase 1,370,000 to 1,600,000 units at an exercise price of $10 and 287,000 units at an exercise price of $11 were outstanding during the first and second quarters of 1999, respectively. These options were not included in the computation of diluted distributable income per fully paid unit because the options' exercise price was greater than the average market price of the units. The $10 options, which expire in February 2003 and January 2004, and the $11 options, which expire in June 2004, were still outstanding at the end of 1999.

10) INCOME TAXES

Residential Equities is taxed as a Mutual Fund Trust for income tax purposes. Pursuant to the Declaration of Trust, Residential Equities is required to distribute its income for income tax purposes each year to its unitholders to such an extent that it will not be liable for income tax under Part I of the Income Tax Act. Therefore, no provision for income taxes is required on income earned by Residential Equities. A unitholder is required pursuant to the Income Tax Act to include when computing income for tax purposes in each year the portion of net income and net taxable capital gains of Residential Equities paid or payable to the unitholder in the year that Residential Equities deducts in computing its income for tax purposes. No capital gains have been realized by Residential Equities since its inception as no capital assets have been sold.

Based on Residential Equities' distribution policy, the amount distributed to its unitholders in a year may exceed its income for tax purposes. On its Trust tax return, Residential Equities claims the maximum capital cost allowance available in computing its taxable income. Historically, Residential Equities' depreciation for accounting purposes is lower than the tax capital cost allowance, which results in a tax deferral. For the year ended December 31, 2000, deductions claimed by Residential Equities for income tax purposes exceeded the corresponding amounts recorded in its financial statements by $10,505 (1999 - $11,252). Unitholders' distributions in excess of Residential Equities' income for tax purposes are not included in the unitholder's income for the year – this portion is considered a tax deferral. The tax-deferred portion is deducted from the adjusted cost base of the unitholder's units of Residential Equities. When the units are sold by the unitholder, a capital gain or loss will be realized and included in income at the prevailing inclusion rate.

There are unrealized capital gains and losses accruing in Residential Equities with respect to its capital assets, in the form of income-producing properties or prepaid rents, which may result in a future tax liability to the unitholders. Upon the disposition or deemed disposition by Residential Equities of a capital asset, a capital gain and recapture of capital cost allowance will generally be realized to the extent that the proceeds of disposition exceed the adjusted cost base.

The cumulative net book value of the Trust's assets for income tax purposes as at December 31, 2000 is $26,481 (1999 - $15,779) less than the amounts recorded in the balance sheet as at that date.

11) RELATED PARTY TRANSACTIONS

Residential Equities has entered into an advisory agreement (the "agreement") with Dundee Greenwin Advisor Limited Partnership (formerly LT Greenwin Advisor Limited Partnership) (the "Advisor") whereby the Advisor provides investment and financial advice to Residential Equities, administers the day-to-day operations and performs various real estate activities related to the operations of Residential Equities and the properties held in its portfolio. The initial term of the agreement is five years which will be automatically renewed for successive five-year terms unless terminated by a majority of Independent Trustees and 66-2/3% of the unitholders. For providing these services, the Advisor is entitled to compensation calculated as follows:

(a) an annual advisory fee, payable monthly, equal to 0.65% of the Adjusted Book Value of the first $150,000 of Residential Equities' assets and 0.50% of the Adjusted Book Value of Residential Equities' assets in excess of $150,000;

(b) an investment fee of 0.95% of the cost of new investment by Residential Equities;

(c) a disposition fee of 0.25% of the sale or assignment proceeds of disposition received by Residential Equities;

(d) an incentive fee of 15% of the amount by which the aggregate net property cash flow, after deduction of the annual advisory fee, generated by Residential Equities' real property portfolio in any year exceeds 10% of the aggregate equity for all property of Residential Equities, plus 15% of the net proceeds generated from the sale of a property in excess of the net sale proceeds required to generate an internal rate of return to Residential Equities of 10% calculated from annual net property cash flow, after deduction of the annual advisory fee, on the average aggregate equity invested in that property.

The following is a summary of fees incurred by Residential Equities under the agreement:

	2000	1999
Advisory fees	$ 3,115	$ 2,656
Incentive fees	403	265
	3,518	2,921
Investment fees	390	753
	$ 3,908	$ 3,674

Residential Equities has entered into a property management agreement (the "management agreement") with LT Greenwin Property Management Limited Partnership (the "Property Manager") to provide property management services. The initial term is five years and will be automatically renewed for successive one-year terms unless terminated in accordance with the management agreement.

During the initial five-year term, annual property management fees are payable to the Property Manager at the rate of approximately 3.5% of the gross rental revenues from the properties managed by the Property Manager on behalf of Residential Equities. Residential Equities incurred property management fees of $3,588 during the year (1999 - $2,777) pursuant to this management agreement.

In addition, a supervision fee is payable to the Property Manager, the Advisor and Dundee Realty Corporation for construction management services, at rates of approximately 4% to 5% of construction costs. During the year, Residential Equities capitalized supervision fees of $418 (1999 - $532) paid to the Property Manager, $79 (1999 - $nil) paid to the Advisor and $6 (1999 - $ nil) paid to Dundee Realty Corporation and $390 of investment fees (1999 - $753).

The Property Manager and the Advisor are owned 50% by Greenwin Property Management Inc. ("Greenwin") and 50% by Dundee Realty Corporation. Two Trustees of Residential Equities exercise control of Greenwin.

12) RISK MANAGEMENT AND FAIR VALUE

Residential Equities is exposed to financial risk that arises from the fluctuation in interest rates and in the credit quality of its residents. Residential Equities manages these risks as follows:

Interest rate risk

Residential Equities is exposed to interest-rate risk related to its mortgages and bank loan. Residential Equities minimizes this risk by ensuring the debt maturities are spread out over a number of years and that its portfolio contains debt with primarily fixed interest rates. The Declaration of Trust prohibits the total indebtedness of Residential Equities, on a permanent basis, to be more than 60% of the gross book value of the assets of Residential Equities unless a majority of the Trustees, in their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the real properties of Residential Equities.

Credit risk

Credit risk arises from the possibility that residents may experience financial difficulty and be unable to fulfill their lease commitments. Residential Equities mitigates this risk of credit loss by ensuring that its mix of residents is diversified and by limiting its exposure to any one resident. Thorough credit assessments are conducted in respect of all new leasing.

Fair value

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

The bank loan bears interest at a variable rate and, therefore, is considered to approximate fair market value.

The fair values of mortgages payable are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Residential Equities might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

The fair value of mortgages payable as at December 31, 2000 is $312,557 (1999 - $269,708).

13) COMMITMENTS

Land leases

Three of the properties have land leases with various expiry dates between March 31, 2045 and July 31, 2070. Generally, each lease provides for a nominal annual rental and an additional rental calculated from the results of property operations. Minimum annual rentals for the next five years under these leases, exclusive of participation payments, are as follows:

2001	$ 602*
2002	$ 627
2003	$ 627
2004	$ 637*
2005 and thereafter	$ 662

*Rental payments under two land leases will be renegotiated in 2001 and 2004 under the terms of the respective land lease.

14) SEGMENTED DISCLOSURE

Substantially all of Residential Equities' assets are in, and its revenue derived from, the Canadian residential real estate industry segment.

15) COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

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AUDITORS

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LAWYERS

Goodmans LLP
Blaney McMurtry LLP

UNIT LISTING

Toronto Stock Exchange
Stock trading symbol:
REE.UN

DISTRIBUTIONS*

	CENTS PER UNIT		
QUARTER	2000	1999	1998
First	**24.75**	21.70	7.82
Second	**24.75**	22.50	17.51
Third	**25.25**	24.75	18.67
Fourth	**25.50**	24.75	19.47
Total	**100.25**	93.70	63.47

* Each month's distribution was paid on the 15th day of the month following with the exception of December 2000's distribution, which was paid on December 31.

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